

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Mecosta, Michigan	County Mecosta
Fiscal Year End December 31, 2006	Opinion Date June 12, 2007	Date Audit Report Submitted to State June 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

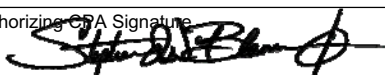
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (616) 975-4100		
Street Address 2330 East Paris Avenue SE		City Grand Rapids	State MI	Zip 49546
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801



**COUNTY OF MECOSTA, MICHIGAN**

**FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

# **MECOSTA COUNTY, MICHIGAN**

## **ORGANIZATION**

### **COUNTY BOARD OF COMMISSIONERS**

John E. Todd

Jerry Williams

Charles Luteran

Raymond Steinke

Wayne O'Neil

Norm Turner

William Routley

### **COUNTY OFFICIALS**

Paul E. Bullock	Controller/Administrator
Connie L. Scott	Treasurer
Marcee M. Purcell	Clerk
Julia E. Tetsworth	Finance Officer
Peter M. Jaklevic	Prosecuting Attorney

# MECOSTA COUNTY

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

June 12, 2007

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mecosta  
Big Rapids, Michigan 49307

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Mecosta, Michigan**, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Mecosta, Michigan. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mecosta County Road Commission or the Mecosta County Medical Center discretely presented component units, which represent 40 percent and 59 percent, respectively, of the assets, and 12 percent and 88 percent, respectively, of the revenues of the aggregate discretely presented component units. We also did not audit the Mecosta County Parks Commission, a blended component unit which is reported as a major enterprise fund. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mecosta County Road Commission, the Mecosta County Medical Center, and the Mecosta County Parks Commission, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the County of Mecosta, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2007, on our consideration of the County of Mecosta, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecosta, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the County of Mecosta, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements of the County. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

As management of Mecosta County, we offer readers of the Mecosta County financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

Prior to 2003, the County received revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, amended 1998 and revenue sharing payments were distributed in accordance with the 1998 amendment. However, 2003 brought a slowed economy. As a result, revenue sharing, to virtually all County and local governments in the State including Mecosta County, were reduced by Executive Order of the Governor.

In 2004, Public Act 357 of 2004 was enacted. This Act provided a funding mechanism to serve as a substitute to state revenue sharing payments. This substitute funding mechanism involved a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund, the Revenue Sharing Reserve Fund. The shift of property tax collection and the creation of the restricted Revenue Sharing Reserve Fund are based on county operating millages only – not special millages. Annually, Mecosta County may make use of the Revenue Sharing Reserve Fund in amounts equal to its October 1, 2003 through September 30, 2004 Revenue Sharing payments adjusted for inflation. The inflation rate is defined by MCL 211.34d(1)(1).

In spite of the reduction in revenue sharing payments, Mecosta County fared well again in 2006 due to several factors. Again this year, the County experienced a fairly strong real estate market in industry and retail growth. Both new construction and resale of property enabled the taxable value of the County to increase by 6.61% between 2005 and 2006. Since the County levies a millage for operations, this increase in taxable value increased revenues proportionally. State Equalized Value (a number reflecting 50% of the true cash value of property) increased 6.47% during the year. The County saw an increase in court cases again this year, significantly increasing fees, fines and costs. The board/care of Federal prisoners remained at 100% capacity and Federal transports increased which significantly increased Federal revenues. Other significant contributing factors were an increase in return on investments, a 3% decrease in health insurance premiums, new fees for marriage licenses and fingerprinting, and finally, an increase in revenues due to increase in passport applications and dog licenses.

On April 29, 2003 the qualified electors of the County of Mecosta voted to authorize the issuance of bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Mecosta County Medical Center. The bonds are a general obligation of the County of Mecosta and are secured by the County's full faith and credit and the County's unlimited tax pledged in accordance with Act 118, Act 230, Act 34 and the Unlimited Tax Election Act which is Act 189 of the Public Act

of Michigan of 1979, as amended and pursuant to which the County shall levy, in addition to other taxes which the County may be authorized to levy, ad valorem taxes on all taxable property within the boundaries of the County without limitation as to rate or amount of the extent necessary to pay the principal of and interest on the bonds when due. The affect of these bonds on the County's financial statements is that the debt associated with these bonds is displayed within the County (the primary government) financial statements while the capital assets constructed with the proceeds are displayed as capital assets of the Mecosta County Medical Center (a discretely presented component unit).

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include governmental operations.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Financial information for *discretely presented component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, emergency medical services fund, commission on aging fund, hospital bond fund, and revenue sharing reserve fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the general and major special revenue funds.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its parks commission, information services contracts, assessing and mapping activities, and delinquent taxes. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its central store and similar activities.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 30 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-60 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 61-87 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$15,953,677 at the close of the most recent fiscal year. A large portion of the County's net assets represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

#### **Net Assets**

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 38% of total net assets. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's total net assets increased approximately 18%, or \$2,473,251 to \$15,953,677 from \$13,480,426 for the year ended December 31, 2006.

### Mecosta County's Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Assets</b>						
Current and other assets	\$20,094,668	\$17,555,780	\$ 6,078,920	\$ 5,935,769	\$26,173,588	\$23,491,549
Capital assets, net	6,467,867	6,820,681	1,218,986	1,188,742	7,686,853	8,009,423
Total assets	26,562,535	24,376,461	7,297,906	7,124,511	33,860,441	31,500,972
<b>Liabilities</b>						
Long-term liabilities	12,164,506	12,919,097	15,264	17,138	12,179,770	12,936,235
Other liabilities	5,634,246	4,949,085	92,748	135,226	5,726,994	5,084,311
Total liabilities	17,798,752	17,868,182	108,012	152,364	17,906,764	18,020,546
<b>Net assets</b>						
Invested in capital assets, net of related debt	4,887,285	5,045,681	1,218,986	1,171,604	6,106,271	6,217,285
Restricted	9,697,539	6,813,483	-	-	9,697,539	6,813,483
Unrestricted	(5,821,041)	(5,350,885)	5,970,908	5,800,543	149,867	449,658
Total net assets	\$ 8,763,783	\$ 6,508,279	\$ 7,189,894	\$ 6,972,147	\$15,953,677	\$13,480,426

### Mecosta County's Changes in Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,954,812	\$ 4,747,208	\$ 1,333,888	\$ 1,343,393	\$ 6,288,700	\$ 6,090,601
Operating grants and contributions	2,619,409	2,241,578	-	-	2,619,409	2,241,578
Capital grants and contributions	-	226,246	-	90,000	-	316,246
General revenues:						
Property taxes	10,774,659	9,628,163	-	-	10,774,659	9,628,163
Unrestricted investment earnings	616,764	471,598	25,122	13,091	641,886	484,689
Gain on sale of capital assets	2,758	21,447	-	-	2,758	21,447
Total revenues	18,968,402	17,336,240	1,359,010	1,446,484	20,327,412	18,782,724
<b>Expenses</b>						
General government	3,307,439	2,142,178	-	-	3,307,439	2,142,178
Legislative	418,190	411,174	-	-	418,190	411,174
Judicial	1,948,474	1,956,700	-	-	1,948,474	1,956,700
Public safety	4,529,693	4,928,261	-	-	4,529,693	4,928,261
Public works	112,745	112,371	-	-	112,745	112,371
Health and welfare	5,697,329	8,700,237	-	-	5,697,329	8,700,237
Community and economic development	368,440	412,450	-	-	368,440	412,450
Other activities	-	-	747	1,027	747	1,027
Interest on long-term debt	494,830	456,504	-	-	494,830	456,504
Indirect cost allocation	(24,427)	(21,011)	24,427	21,011	-	-
MOCAT	-	-	-	703,074	-	703,074
Parks	-	-	967,340	904,453	967,340	904,453
Tax collection	-	-	8,934	6,905	8,934	6,905
Total expenses	16,852,713	19,098,864	1,001,448	1,636,470	17,854,161	20,735,334
Change in net assets before transfers	2,115,689	(1,762,624)	357,562	(189,986)	2,473,251	(1,952,610)
<b>Transfers</b>	139,815	(105,697)	(139,815)	105,697	-	-
Change in net assets	2,255,504	(1,868,321)	217,747	(84,289)	2,473,251	(1,952,610)
Net assets, beginning of year, as restated	6,508,279	8,376,600	6,972,147	7,056,436	13,480,426	15,433,036
<b>Net assets, end of year</b>	<b>\$ 8,763,783</b>	<b>\$ 6,508,279</b>	<b>\$ 7,189,894</b>	<b>\$ 6,972,147</b>	<b>\$15,953,677</b>	<b>\$13,480,426</b>

**Governmental activities**

Governmental activities increased the County's net assets by \$2,255,504 accounting for 91% of the total increase in the County's net assets. The sizeable difference between the change in fund balances and the change in net assets is mostly due to large capital outlays in the current year, which are expensed under the modified accrual basis method and accounted as capital assets under full accrual basis. A smaller portion of the difference is due to principal payments on debts that are expensed under the modified accrual method are booked as reductions in long-term debt under the full accrual basis.

Health and welfare expenses decreased from \$8,700,237 in 2005 to \$5,697,329 in 2006. This is primarily due to the substantial completion of the hospital renovation construction in the prior year.

Government activities include:

- Legislative activities – Expenses related to the Board of Commissioners and high-level administrative expenditures.
- Judicial activities – Expenses related to the administration of Circuit, District, and Probate/Family courts and Court Probation units.
- General government activities – Expenses related to the support departments of the County such as Administration, Human Resources, Treasury, Information Services, Facilities Management, and Finance.
- Public safety – Expenses related to the Sheriff's administration and road patrol and County corrections services.
- Public works activities – Expenses related to the County drain commissioner
- Health and welfare – Expenses related to veteran's service, medical examiner fees, expansion of the local hospital (a separate legal entity), operations of the commission on aging, and childcare care programs.
- Community and economic development – Expenses related to planning and zoning activities.

**Business-type activities**

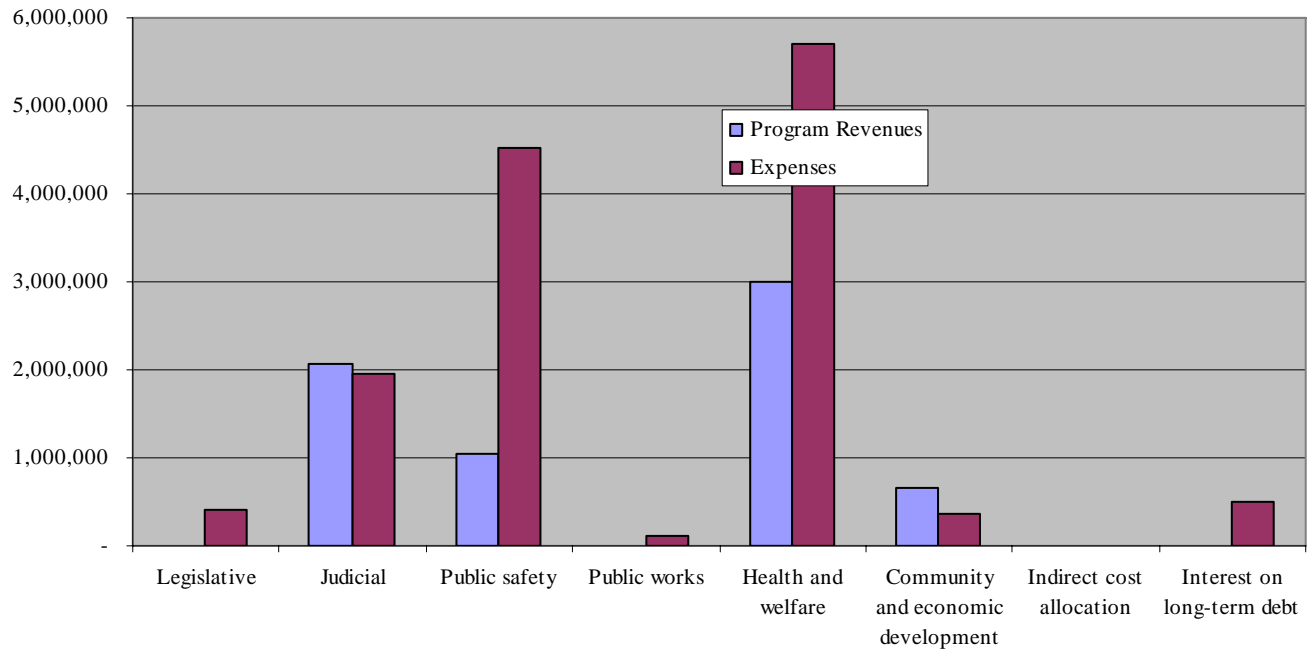
The business-type activities of the County include enterprise fund operations. The change in business-type activities net assets increased the County's net assets by \$217,747.

Business-type activities include:

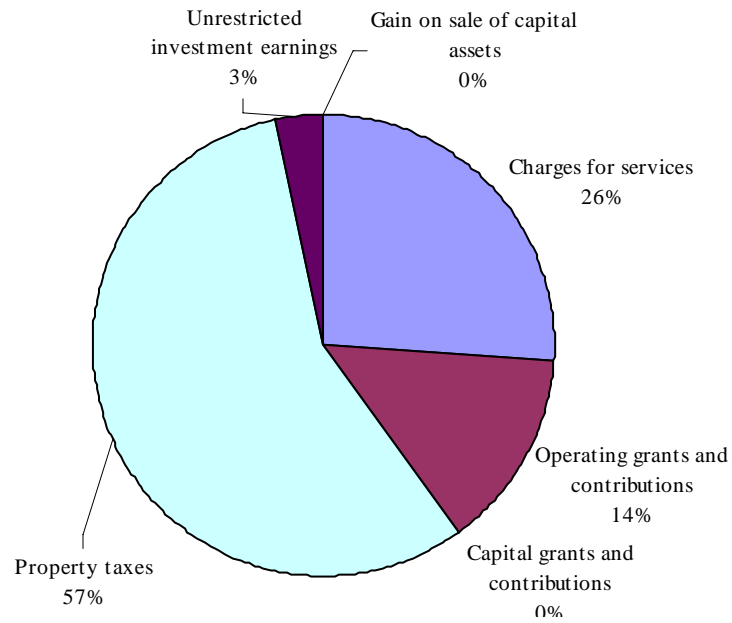
- Delinquent tax revolving fund – This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlement.
- Mecosta County Park Commission – This fund is a blended component unit that operates four major parks in the Mecosta County area.

The decrease in MOCAT expenses from \$703,074 in 2005 to \$-0- in 2006 was due to the restructuring of the MOCAT organizational structure in the prior year and the determination at that time that it was no longer appropriately presented as a component unit of Mecosta County.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County *governmental fund statements* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The fund balance of the general fund has increased by \$682,369 from \$4,631,551 to \$5,313,920. This is primarily attributable to increases in taxable value of properties and which led to increases in property tax revenues. The County also experienced greater activity in the court system and a higher return on investments.

Mecosta County Emergency Medical Services increased its fee structure in 2006 resulting in an increase in fund balance from \$ 649,125 to \$828,157. In addition, no ambulances had to be purchased during 2006 resulting in a decrease in expenditures and the \$179,032 increase in fund balance.

State of Michigan has mandated that counties accelerate tax collections from December to July. Mecosta County instated a special revenue fund used to collect 1/3 of the 2004, 2005 and 2006 years' tax levies. The money in this fund will be drawn down over the course of the next several years as replacement for the state revenue sharing which was completely eliminated in 2004.

**Proprietary funds.** The County proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

	Total Net Assets	
	2006	2005
<b>Enterprise Funds</b>		
Parks Commission	\$ 1,604,634	\$ 1,623,597
Delinquent Tax Revolving	5,576,436	5,340,427
Nonmajor Funds	9,094	8,121
<b>Total</b>	<b>\$7,189,894</b>	<b>\$6,972,145</b>
 <b>Internal Service Funds</b>	 <b>\$ 38,472</b>	 <b>\$ 19,554</b>

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

Over the course of the year, the County Board of Commissioners amended the budget to take into account events during the year. Specifically, the Board made several changes to the budget that fall into three categories:

- Amendments and supplemental appropriations to reflect the actual beginning account balances and prevention of budget overruns.

- Changes made to account for additional, unexpected revenues from loan repayments, refunds or grants and unexpected costs pertaining to: upgrading software, building repairs, technology upgrades and maintenance, accumulated absence payouts due to retirements and position reclassifications, additional payments to MERS, an increase in the courts caseloads, an increase in autopsies, microfilming records, consolidation of Montcalm, Ionia and Mecosta county child care funds, an increase in fuel costs, an increase in collections costs, and an increase in veterans burials.
- Board approved capital expenditures for software, County vehicles, and equipment.

After all adjustments, the County's 2006 actual general fund revenues exceeded budget and actual expenditures fell well below final budget amounts.

### Capital Asset and Debt Administration

- **Capital assets** - A capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

During the year, the County purchased capital assets including several new vehicles, a Hovercraft, computers, copiers, fuel depot assessments, video arraignment and fingerprinting equipment, software and firewall protection, and radio upgrades associated with the 2005 Homeland Security grant.

- **Debt administration** – Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has two general obligation bonds for their major capital projects this year. The second bond issue in 2004 was solely for the renovation of the Mecosta County Hospital and is payable over 20 years.

### Mecosta County Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 323,000	\$ 323,000	\$ -	\$ -	\$ 323,000	\$ 323,000
Construction in progress	26,927	-	-	-	26,927	-
Land improvements	-	-	379,091	390,712	379,091	390,712
Buildings and improvements	5,504,364	5,747,576	692,104	636,997	6,196,468	6,384,573
Equipment and furniture	360,703	362,253	147,791	161,033	508,494	523,286
Vehicles	252,873	387,852	-	-	252,873	387,852
Total	<u>\$ 6,467,867</u>	<u>\$ 6,820,681</u>	<u>\$ 1,218,986</u>	<u>\$ 1,188,742</u>	<u>\$ 7,686,853</u>	<u>\$ 8,009,423</u>

Additional information on the County's capital assets can be found in Note 7 on pages 47-50 of this report.

**Long-term debt** – debt is classified as long-term if the debt matures in a period greater than one year.

### **Mecosta County Outstanding Debt (General Obligation Bonds)**

	Governmental activities	
	2006	2005
General obligation bonds	\$ 12,390,000	\$ 12,715,000

Additional information on the County's long-term debt can be found in Note 9 on pages 51-53 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The County's budget for 2007 does not increase property tax rates. This is due to the County's strong growth in its tax base. Because of the impact of Proposal A, however, the County needs to continue to watch its budget very closely. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5% unless there is a transfer of ownership. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the County will grow less than by inflation, before considering new property additions. Generally, properties that have transfer of ownership will offset the properties that do not increase by the rate of inflation, resulting in an actual increase in value by more than the rate of inflation before new construction.

Although having faced revenue shortages from the State over the last three years, the overall County adopted 2007 budget is expected to be a stable one. Mecosta County's economic base continues to grow, with new businesses/industry coming to the area. This growth adds to the local economy and creates new jobs. Unemployment for Mecosta County is one of the lowest in the area at 7.3%. In addition, property values are expected to increase above inflation.

The above indicators were considered when adopting the general fund budget for 2006. As we prepare for the 2007 budget, those same indicators will guide us in our budget deliberations, in addition to such things as additional grant revenue, cost of living adjustments, the cost of post retirement benefits, and the rising cost of health care. After all estimates are calculated, the County's budget for 2007 is expected to grow modestly.

### **Requests for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mecosta County Finance Department, 400 Elm St., Big Rapids, Michigan, 49307. Additional information can be found at our website at [www.co.mecosta.mi.us](http://www.co.mecosta.mi.us).

## **BASIC FINANCIAL STATEMENTS**

# COUNTY OF MECOSTA, MICHIGAN

## Statement of Net Assets

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 13,312,831	\$ 4,637,223	\$ 17,950,054	\$ 3,495,384
Investments	121,026	-	121,026	4,957,577
Receivables	6,684,059	1,320,787	8,004,846	6,716,688
Internal balances	(115,713)	115,713	-	-
Prepaid items and other assets	92,465	5,197	97,662	1,968,121
Capital assets				
Land and land improvements	323,000	-	323,000	9,475,293
Construction in progress	26,927	-	26,927	-
Buildings, equipment and fixtures, net	6,117,940	1,218,986	7,336,926	43,595,582
<b>Total assets</b>	<b>26,562,535</b>	<b>7,297,906</b>	<b>33,860,441</b>	<b>70,208,645</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	706,236	52,886	759,122	2,934,762
Unearned revenue	4,098,284	23,080	4,121,364	-
Noncurrent liabilities:				
Due within one year	829,726	16,782	846,508	903,076
Bonds payable - long-term portion	12,040,000	-	12,040,000	8,157,129
Compensated absences	124,506	15,264	139,770	949,712
<b>Total liabilities</b>	<b>17,798,752</b>	<b>108,012</b>	<b>17,906,764</b>	<b>12,944,679</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,887,285	1,218,986	6,106,271	44,066,110
Restricted for:				
Property tax acceleration	4,168,712	-	4,168,712	-
Health and welfare programs	3,024,514	-	3,024,514	-
Public safety programs	636,375	-	636,375	-
Judicial programs	48,304	-	48,304	-
Debt service	85,884	-	85,884	920,249
Capital improvements	680,869	-	680,869	113,522
Permanent fund nonexpendable	100,000	-	100,000	-
Permanent fund expendable	24,514	-	24,514	-
Other state mandated programs	928,367	-	928,367	1,422,883
Unrestricted (deficit)	(5,821,041)	5,970,908	149,867	10,741,202
<b>Total net assets</b>	<b>\$ 8,763,783</b>	<b>\$ 7,189,894</b>	<b>\$ 15,953,677</b>	<b>\$ 57,263,966</b>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Statement of Activities For the Year Ended December 31, 2006

Functions / Programs	Expenses	Indirect Expense Allocation	Program Revenues			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government						
Governmental activities:						
General government	\$ 3,307,439	\$ (31,657)	\$ 721,200	\$ 95,220	\$ -	\$ (2,459,362)
Legislative	418,190	-	-	-	-	(418,190)
Judicial	1,948,474	-	1,256,663	806,971	-	115,160
Public safety	4,529,693	-	600,048	443,041	-	(3,486,604)
Public works	112,745	-	-	-	-	(112,745)
Health and welfare	5,697,329	-	1,940,672	1,054,075	-	(2,702,582)
Community and economic development	368,440	7,230	436,229	220,102	-	280,661
Interest expense	494,830	-	-	-	-	(494,830)
Insurance allocation	-	-	-	-	-	-
Total governmental activities	16,877,140	(24,427)	4,954,812	2,619,409	-	(9,278,492)
Business-type activities:						
Parks	967,340	24,427	947,412	-	-	(44,355)
Delinquent tax collection and administration	8,934	-	384,756	-	-	375,822
Other	747	-	1,720	-	-	973
Total business-type activities	977,021	24,427	1,333,888	-	-	332,440
Total primary government	\$ 17,854,161	\$ -	\$ 6,288,700	\$ 2,619,409	\$ -	\$ (8,946,052)
Component units:						
Road Commission	\$ 6,547,725	\$ -	\$ 840,713	\$ 3,992,527	\$ 814,182	\$ (900,303)
Brownfield Redevelopment	191	-	-	500	-	309
Drain Commission	84,397	-	32,544	3,894	-	(47,959)
Medical Center	40,653,110	-	40,900,094	1,066,505	-	1,313,489
Total component units	\$ 47,285,423	\$ -	\$ 41,773,351	\$ 5,063,426	\$ 814,182	\$ 365,536

Continued...

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Statement of Activities (Concluded) For the Year Ended December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (9,278,492)	\$ 332,440	\$ (8,946,052)	\$ 365,536
General revenues (expenses):				
Property taxes	10,774,659	-	10,774,659	-
Interest revenue	616,764	25,122	641,886	142,176
Gain on sale of capital assets	2,758	-	2,758	32,319
Transfers - internal activities	139,815	(139,815)	-	-
Total general revenues and transfers	11,533,996	(114,693)	11,419,303	174,495
Change in net assets	2,255,504	217,747	2,473,251	540,031
Net assets, beginning of year, as restated	6,508,279	6,972,147	13,480,426	56,723,935
<b>Net assets, end of year</b>	<u>\$ 8,763,783</u>	<u>\$ 7,189,894</u>	<u>\$ 15,953,677</u>	<u>\$ 57,263,966</u>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Balance Sheet Governmental Funds December 31, 2006

	General Fund (101)	Emergency Medical Services (210)	Commission on Aging (274)	Revenue Sharing Reserve (285)
<b>Assets</b>				
Cash and pooled investments	\$ 5,603,859	\$ 694,752	\$ 688,177	\$ 2,155,686
Investments	-	-	-	-
Accounts receivable	42,792	437,584	-	-
Interest receivable	48,064	2,107	2,084	8,830
Taxes receivable	2,148,750	476,431	476,454	2,004,196
Due from other governmental units	49,760	-	7,640	-
Prepaid items	92,465	-	-	-
<b>Total assets</b>	<u>\$ 7,985,690</u>	<u>\$ 1,610,874</u>	<u>\$ 1,174,355</u>	<u>\$ 4,168,712</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 101,408	\$ 27,391	\$ 11,070	\$ -
Accrued liabilities	155,234	37,204	14,027	-
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Deferred revenue	2,415,128	718,122	569,170	-
<b>Total liabilities</b>	<u>2,671,770</u>	<u>782,717</u>	<u>594,267</u>	<u>-</u>
<b>Fund balances</b>				
Reserved for permanent fund corpus	-	-	-	-
Reserved for prepaid items	92,465	-	-	-
Unreserved, undesignated	5,221,455	828,157	580,088	4,168,712
Unreserved, undesignated reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
<b>Total fund balances</b>	<u>5,313,920</u>	<u>828,157</u>	<u>580,088</u>	<u>4,168,712</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,985,690</u>	<u>\$ 1,610,874</u>	<u>\$ 1,174,355</u>	<u>\$ 4,168,712</u>

The accompanying notes are an integral part of these financial statements.

<b>Hospital Bond (311)</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 153,511	\$ 3,981,035	\$ 13,277,020
-	121,026	121,026
-	2,722	483,098
-	-	61,085
559,702	-	5,665,533
-	414,107	471,507
-	-	92,465
<u>\$ 713,213</u>	<u>\$ 4,518,890</u>	<u>\$ 20,171,734</u>
\$ -	\$ 110,738	\$ 250,607
-	24,589	231,054
-	115,713	115,713
-	130,616	130,616
<u>668,775</u>	<u>33,840</u>	<u>4,405,035</u>
<u>668,775</u>	<u>415,496</u>	<u>5,133,025</u>
-	100,000	100,000
-	-	92,465
44,438	-	10,842,850
-	3,192,286	3,192,286
-	123,230	123,230
-	663,364	663,364
-	24,514	24,514
<u>44,438</u>	<u>4,103,394</u>	<u>15,038,709</u>
<u>\$ 713,213</u>	<u>\$ 4,518,890</u>	<u>\$ 20,171,734</u>

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**December 31, 2006**

Fund balances - total governmental funds	\$ 15,038,709
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

Add: capital assets not being depreciated	349,927
Add: capital assets, net of accumulated depreciation	6,117,940

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	157,799
Add: deferred emergency medical services fees	148,952

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities

Add: net assets of governmental activities accounted for in internal service funds	38,472
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Deduct: bonds payable	(12,390,000)
Deduct: compensated absences	(604,232)
Deduct: accrued interest on long-term liabilities	(81,784)
Deduct: estimated claims liability	(12,000)

Net assets of governmental activities	<u><u>\$ 8,763,783</u></u>
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	<b>General Fund (101)</b>	<b>Emergency Medical Services (210)</b>	<b>Commission on Aging (274)</b>	<b>Revenue Sharing Reserve (285)</b>
<b>Revenue</b>				
Taxes	\$ 6,870,416	\$ 547,739	\$ 535,326	\$ 2,004,196
Licenses and permits	39,731	-	-	-
Intergovernmental:				
Federal	52,293	-	63,569	-
State	685,048	-	23,895	-
Local	201,340	-	-	-
Charges for services	2,357,263	1,298,819	40,362	-
Interest	612,979	28,460	31,895	80,169
Other revenue	500	12,981	47,872	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	10,819,570	1,887,999	742,919	2,084,365
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
General government	1,714,089	-	-	-
Legislative	418,190	-	-	-
Judicial	1,591,597	-	-	-
Public safety	3,495,685	-	-	-
Health and welfare	255,666	1,608,946	666,353	-
Community and economic development	86,910	-	-	-
Other expenditures	2,607,365	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	10,169,502	1,608,946	666,353	-
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	650,068	279,053	76,566	2,084,365
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Transfers in	748,696	-	-	-
Transfers out	(722,000)	(100,500)	(131,454)	(748,696)
Sale of capital assets	5,605	479	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	32,301	(100,021)	(131,454)	(748,696)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	682,369	179,032	(54,888)	1,335,669
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year, as restated	4,631,551	649,125	634,976	2,833,043
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u><u>\$ 5,313,920</u></u>	<u><u>\$ 828,157</u></u>	<u><u>\$ 580,088</u></u>	<u><u>\$ 4,168,712</u></u>

The accompanying notes are an integral part of these financial statements.

<b>Hospital Bond (311)</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 659,183	\$ -	\$ 10,616,860
-	227,517	267,248
-	669,890	785,752
-	1,068,605	1,777,548
-	1,312	202,652
-	538,454	4,234,898
5,139	26,604	785,246
-	122,191	183,544
<u>664,322</u>	<u>2,654,573</u>	<u>18,853,748</u>
-	39,004	1,753,093
-	-	418,190
-	40,026	1,631,623
-	437,593	3,933,278
-	2,033,141	4,564,106
-	265,111	352,021
-	-	2,607,365
225,000	100,000	325,000
422,053	74,569	496,622
-	875,615	875,615
<u>647,053</u>	<u>3,865,059</u>	<u>16,956,913</u>
<u>17,269</u>	<u>(1,210,486)</u>	<u>1,896,835</u>
-	1,166,475	1,915,171
-	(72,706)	(1,775,356)
-	258	6,342
<u>-</u>	<u>1,094,027</u>	<u>146,157</u>
17,269	(116,459)	2,042,992
<u>27,169</u>	<u>4,219,853</u>	<u>12,995,717</u>
<u>\$ 44,438</u>	<u>\$ 4,103,394</u>	<u>\$ 15,038,709</u>

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds \$ 2,042,992

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	259,757
Deduct: depreciation expense	(608,987)
Deduct: proceeds on sale of capital assets	(6,342)
Add: gain on sale of capital assets	2,758

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: net change in property tax revenue	157,799
Add: net change in emergency medical services revenue	148,952

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Add: principal payments on long-term liabilities	325,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in accrued interest on bonds	1,792
Deduct: increase in the accrual for compensated absences	(75,135)

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add: income from governmental activities in internal service funds	18,918
Deduct: change in estimated liability for claims	(12,000)

Change in net assets of governmental activities	\$ 2,255,504
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 6,758,000	\$ 6,758,000	\$ 6,870,416	\$ 112,416
Licenses and permits	42,042	42,042	39,731	(2,311)
Federal	62,000	62,000	52,293	(9,707)
State	615,178	615,178	685,048	69,870
Local units	185,000	185,000	201,340	16,340
Charges for services	2,031,230	2,031,230	2,357,263	326,033
Interest on deposits	300,000	300,000	612,979	312,979
Other revenue	-	-	500	500
Total revenue	9,993,450	9,993,450	10,819,570	826,120
<b>Expenditures</b>				
General government:				
Elections	68,007	68,007	57,313	10,694
County clerk	234,126	234,126	226,534	7,592
Register of deeds	231,942	231,942	218,021	13,921
Drain commission	116,737	116,737	112,385	4,352
Equalization	186,006	186,006	173,418	12,588
County treasurer	170,657	170,657	167,586	3,071
Cooperative education	150,812	150,812	150,342	470
Central services	88,827	130,217	90,146	40,071
Mimeo and photocopy	27,000	27,000	17,678	9,322
Courthouse building and grounds	510,415	510,415	470,279	40,136
Corporate counsel	25,000	25,000	9,887	15,113
Audit	21,000	21,000	20,500	500
Total general government	1,830,529	1,871,919	1,714,089	157,830
Legislative:				
Board of commissioners	435,805	435,805	418,190	17,615
Judicial:				
Circuit court - probation	5,300	5,300	3,864	1,436
49th circuit court	519,121	520,521	485,834	34,687
77th district court	469,384	469,384	470,452	(1,068)
District court probation	116,883	116,883	115,504	1,379
Jury board	8,926	8,926	7,028	1,898
18th probate court	521,036	521,036	508,915	12,121
Total judicial	1,640,650	1,642,050	1,591,597	50,453
Public safety:				
Sheriff	2,982,564	2,982,564	2,897,055	85,509
Marine patrol	41,450	41,450	31,176	10,274
Civil defense	47,906	49,514	47,479	2,035
Prosecutor	458,080	458,081	443,159	14,922
Plat board	161	161	-	161
Animal shelter	29,330	29,330	29,330	-
Canine restraint	500	500	-	500
Animal control	47,226	48,994	47,486	1,508
Total public safety	3,607,218	3,610,594	3,495,685	114,909

Continued...

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Expenditures (concluded)</b>				
Health and welfare:				
Communicable diseases	\$ 7,000	\$ 7,000	\$ 2,554	\$ 4,446
Medical examiner	67,086	67,731	67,829	(98)
State institutes	166,912	166,912	166,912	-
Veterans burial services	13,500	13,500	10,900	2,600
Veterans affairs	8,850	8,850	7,471	1,379
Total health and welfare	263,348	263,993	255,666	8,327
Community and economic development:				
Planning and zoning	91,235	91,235	86,910	4,325
Other :				
Appropriations	427,745	430,245	428,190	2,055
Bonds and insurance	1,534,462	2,284,462	2,179,175	105,287
Contingencies	475,000	426,516	-	426,516
Total other expenditures	2,437,207	3,141,223	2,607,365	533,858
Total expenditures	10,305,992	11,056,819	10,169,502	887,317
Revenues over (under) expenditures	(312,542)	(1,063,369)	650,068	1,713,437
<b>Other financing sources (uses)</b>				
Transfers in	747,971	747,971	748,696	725
Transfers (out)	(722,000)	(722,000)	(722,000)	-
Sale of capital assets	8,500	8,500	5,605	(2,895)
Total other financing sources (uses)	34,471	34,471	32,301	(2,170)
Net change in fund balances	(278,071)	(1,028,898)	682,369	1,711,267
Fund balances, beginning of year	4,631,551	4,631,551	4,631,551	-
<b>Fund balances, end of year</b>	<b>\$ 4,353,480</b>	<b>\$ 3,602,653</b>	<b>\$ 5,313,920</b>	<b>\$ 1,711,267</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Emergency Medical Services Fund**  
**For the Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 549,378	\$ 549,378	\$ 547,739	\$ (1,639)
Charges for services	1,060,000	1,060,000	1,298,819	238,819
Interest on deposits	5,000	5,000	28,460	23,460
Other revenue	1,000	1,000	12,981	11,981
Total revenue	1,615,378	1,615,378	1,887,999	272,621
<b>Expenditures</b>				
Health and welfare:				
Emergency medical services	1,553,847	1,803,847	1,608,946	194,901
Revenue over (under) expenditures	61,531	(188,469)	279,053	77,720
<b>Other financing sources (uses)</b>				
Transfers out	(100,500)	(100,500)	(100,500)	-
Sale of capital assets	5,000	5,000	479	4,521
Total other financing sources (uses)	(95,500)	(95,500)	(100,021)	4,521
Net change in fund balances	(33,969)	(283,969)	179,032	463,001
Fund balances, beginning of year	649,125	649,125	649,125	-
<b>Fund balances, end of year</b>	<b>\$ 615,156</b>	<b>\$ 365,156</b>	<b>\$ 828,157</b>	<b>\$ 463,001</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Commission on Aging**  
**For the Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 519,000	\$ 519,000	\$ 535,326	\$ 16,326
Federal	64,615	75,272	63,569	(11,703)
State	62,482	52,933	23,895	(29,038)
Charges for services	30,600	30,600	40,362	9,762
Interest on deposits	10,000	19,775	31,895	12,120
Other revenue	43,750	43,750	47,872	4,122
Total revenue	730,447	741,330	742,919	1,589
<b>Expenditures</b>				
Health and welfare	707,675	707,675	666,353	41,322
Revenues over (under) expenditures	22,772	33,655	76,566	(39,733)
<b>Other financing sources (uses)</b>				
Transfers out	(31,454)	(151,229)	(131,454)	(19,775)
Net change in fund balances	(8,682)	(117,574)	(54,888)	62,686
Fund balances, beginning of year, as restated	634,976	634,976	634,976	-
<b>Fund balances, end of year</b>	<b>\$ 626,294</b>	<b>\$ 517,402</b>	<b>\$ 580,088</b>	<b>\$ 62,686</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Revenue Sharing Reserve**  
**For the Year Ended December 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 2,004,196	\$ 2,004,196	\$ 2,004,196	\$ -
Interest on deposits	13,206	13,206	80,169	66,963
Total revenue	2,017,402	2,017,402	2,084,365	66,963
<b>Other financing sources (uses)</b>				
Transfers out	(747,971)	(748,696)	(748,696)	-
Net change in fund balances	1,269,431	1,268,706	1,335,669	66,963
Fund balances, beginning of year	2,833,043	2,833,043	2,833,043	-
<b>Fund balances, end of year</b>	<b>\$ 4,102,474</b>	<b>\$ 4,101,749</b>	<b>\$ 4,168,712</b>	<b>\$ 66,963</b>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Statement of Net Assets

### Proprietary Funds

December 31, 2006

	Business-type Activities				Governmental Activities
	Mecosta County Park Commission	Delinquent Tax Revolving (516)	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and pooled investments	\$ 465,746	\$ 4,162,382	\$ 9,095	\$ 4,637,223	\$ 35,811
Accounts receivable	11,520	3,769	-	15,289	2,836
Taxes receivable	-	1,212,891	-	1,212,891	-
Prepaid expenses	5,197	-	-	5,197	-
Due from other funds	-	115,713	-	115,713	-
Due from other governmental units	-	92,607	-	92,607	-
Total current assets	482,463	5,587,362	9,095	6,078,920	38,647
Noncurrent assets:					
Capital assets being depreciated	2,675,172	-	-	2,675,172	-
Less: accumulated depreciation	(1,456,186)	-	-	(1,456,186)	-
Total capital assets, net	1,218,986	-	-	1,218,986	-
Total assets	1,701,449	5,587,362	9,095	7,297,906	38,647
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	32,588	-	1	32,589	175
Accrued liabilities	9,371	-	-	9,371	-
Due to other governmental units	-	10,926	-	10,926	-
Unearned revenue	23,080	-	-	23,080	-
Current portion of compensated absences payable	16,782	-	-	16,782	-
Total current liabilities	81,821	10,926	1	92,748	175
Long-term liabilities:					
Compensated absences payable, net of current portion	15,264	-	-	15,264	-
Total liabilities	97,085	10,926	1	108,012	175
<b>Net assets</b>					
Invested in capital assets	1,218,986	-	-	1,218,986	-
Unrestricted	385,378	5,576,436	9,094	5,970,908	38,472
Total net assets	\$ 1,604,364	\$ 5,576,436	\$ 9,094	\$ 7,189,894	\$ 38,472

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Statement of Revenue, Expenses and Changes in Fund Net Assets Proprietary Funds For the Year Ended December 31, 2006

	Business-type Activities				Governmental Activities
	Mecosta County Park Commission	Delinquent Tax Revolving (516)	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$ 943,478	\$ 384,756	\$ 1,720	\$ 1,329,954	\$ 84,413
Operating expenses					
Personnel services	593,321	-	-	593,321	-
Supplies	56,851	837	-	57,688	17,604
Postage	-	6,359	47	6,406	42,694
Other services and charges	220,364	1,738	700	222,802	5,197
Depreciation	121,231	-	-	121,231	-
Total operating expenses	991,767	8,934	747	1,001,448	65,495
Operating income (loss)	(48,289)	375,822	973	328,506	18,918
Non-operating revenues (expenses)					
Interest income	25,122	-	-	25,122	-
Other income	3,934	-	-	3,934	-
Total non-operating revenues (expenses)	29,056	-	-	29,056	-
Income (loss) before transfers	(19,233)	375,822	973	357,562	18,918
Transfers in (out)					
Transfers in	-	34,788	-	34,788	-
Transfers out	-	(174,603)	-	(174,603)	-
Total transfers	-	(139,815)	-	(139,815)	-
Net income (loss)	(19,233)	236,007	973	217,747	18,918
Net assets, beginning of year	1,623,597	5,340,429	8,121	6,972,147	19,554
Net assets, end of year	\$ 1,604,364	\$ 5,576,436	\$ 9,094	\$ 7,189,894	\$ 38,472

The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Year Ended December 31, 2006**

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Mecosta County Park Commission</b>	<b>Delinquent Tax Revolving (516)</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -	\$ 81,577
Receipts from customers and users	940,484	315,671	1,720	1,257,875	-
Payments to suppliers	(295,928)	(31,595)	(746)	(328,269)	(65,320)
Payments to employees	(593,746)	-	-	(593,746)	-
Net cash provided by operating activities	50,810	284,076	974	335,860	16,257
<b>Cash flows from non-capital financing activities</b>					
Transfers in	-	34,788	-	34,788	-
Transfers (out)	-	(174,603)	-	(174,603)	-
Net cash provided by (used in) non-capital financing activities	-	(139,815)	-	(139,815)	-
<b>Cash flows from capital and related financing activities</b>					
Purchases of capital assets	(151,475)	-	-	(151,475)	-
Other	3,934	-	-	3,934	-
Net cash used in capital and related financing activities	(147,541)	-	-	(147,541)	-
<b>Cash flows from investing activities</b>					
Interest earned on investments	25,122	-	-	25,122	-
Proceeds from state grants	16,927	-	-	16,927	-
Net cash provided by investing activities	42,049	-	-	42,049	-
Net increase (decrease) in cash and pooled investments	(54,682)	144,261	974	90,553	16,257
Cash and pooled investments, beginning of year	520,428	4,018,121	8,121	4,546,670	19,554
<b>Cash and pooled investments, end of year</b>	<b>\$ 465,746</b>	<b>\$ 4,162,382</b>	<b>\$ 9,095</b>	<b>\$ 4,637,223</b>	<b>\$ 35,811</b>
<b>Cash flows from operating activities</b>					
Operating income (loss)	\$ (48,289)	\$ 375,822	\$ 973	\$ 328,506	\$ 18,918
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	121,231	-	-	121,231	-
(Increase) decrease in:					
Accounts receivable	772	445	-	1,217	(2,836)
Taxes receivable	-	17,039	-	17,039	-
Prepaid expenses	(1,102)	-	-	(1,102)	-
Due from other funds	-	(115,713)	-	(115,713)	-
Due from other governmental units	-	29,144	-	29,144	-
Accounts payable	(17,602)	-	1	(17,601)	175
Accrued liabilities	1,861	-	-	1,861	-
Due to other funds	-	(110)	-	(110)	-
Due to other governmental units	-	(22,551)	-	(22,551)	-
Unearned revenue	(3,775)	-	-	(3,775)	-
Compensated absences payable	(2,286)	-	-	(2,286)	-
Net cash provided by (used in) operating activities	\$ 50,810	\$ 284,076	\$ 974	\$ 335,860	\$ 16,257

The accompanying notes are an integral part of these financial statements.

**COUNTY OF MECOSTA, MICHIGAN**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**December 31, 2006**

**Assets**

Cash and cash equivalents	\$ 760,511
Accounts receivable	<u>88,031</u>
<b>Total assets</b>	<b><u><u>\$ 848,542</u></u></b>

**Liabilities**

Accounts payable	\$ 699,240
Due to other governmental units	<u>149,302</u>
<b>Total liabilities</b>	<b><u><u>\$ 848,542</u></u></b>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Combining Statement of Net Assets Discretely Presented Component Units December 31, 2006

	<u>Road Commission</u>	<u>Brownfield Redevelopment Authority</u>	<u>Drain Commission</u>	<u>Medical Center</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 796,726	\$ 309	\$ 129,072	\$ 2,569,277	\$ 3,495,384
Investments	-	-	-	4,957,577	4,957,577
Receivables	735,403	-	212,974	5,768,311	6,716,688
Inventory	436,131	-	-	-	436,131
Prepaid items and other assets	8,646	-	-	1,523,344	1,531,990
Capital assets:					
Land and land improvements, net	8,565,727	-	-	909,566	9,475,293
Buildings, equipment and fixtures, net	17,515,847	-	297,175	25,782,560	43,595,582
<b>Total assets</b>	<u>28,058,480</u>	<u>309</u>	<u>639,221</u>	<u>41,510,635</u>	<u>70,208,645</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	134,035	-	13,755	2,482,858	2,630,648
Unearned revenue	-	-	-	-	-
Noncurrent liabilities:					
Due within one year	-	-	35,000	868,076	903,076
Advance from State	304,114	-	-	-	304,114
Bonds payable - long-term portion	-	-	175,000	7,982,129	8,157,129
Compensated absences	226,974	-	-	722,738	949,712
<b>Total liabilities</b>	<u>665,123</u>	<u>-</u>	<u>223,755</u>	<u>12,055,801</u>	<u>12,944,679</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	26,081,574	-	297,175	17,687,361	44,066,110
Restricted for:					
Debt service	-	-	-	920,249	920,249
Hospital renovations	-	-	-	113,522	113,522
Other restricted funds	1,311,783	-	-	111,100	1,422,883
Unrestricted	-	309	118,291	10,622,602	10,741,202
<b>Total net assets</b>	<u>\$ 27,393,357</u>	<u>\$ 309</u>	<u>\$ 415,466</u>	<u>\$ 29,454,834</u>	<u>\$ 57,263,966</u>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF MECOSTA, MICHIGAN

## Combining Statement of Activities Discretely Presented Component Units For the Year Ended December 31, 2006

	Road Commission	Brownfield Redevelopment Authority	Drain Commission	Medical Center	Total
<b>Expenses</b>					
Road Commission	\$ 6,547,725	\$ -	\$ -	\$ -	\$ 6,547,725
Brownfield Redevelopment	-	191	-	-	191
Drain Commission	-	-	84,397	-	84,397
Medical Center	-	-	-	40,653,110	40,653,110
Total expenses	<u>6,547,725</u>	<u>191</u>	<u>84,397</u>	<u>40,653,110</u>	<u>47,285,423</u>
<b>Program revenues</b>					
Charges for services	840,713	-	32,544	40,900,094	41,773,351
Operating grants and contributions	3,992,527	500	3,894	1,066,505	5,063,426
Capital grants and contributions	814,182	-	-	-	814,182
Total program revenues	<u>5,647,422</u>	<u>500</u>	<u>36,438</u>	<u>41,966,599</u>	<u>47,650,959</u>
Net (expense) revenue	<u>(900,303)</u>	<u>309</u>	<u>(47,959)</u>	<u>1,313,489</u>	<u>365,536</u>
<b>General revenues</b>					
Gain on sale of capital assets	32,319	-	-	-	32,319
Interest revenue	142,176	-	-	-	142,176
Total general revenues	<u>174,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,495</u>
Change in net assets	(725,808)	309	(47,959)	1,313,489	540,031
Net assets, beginning of year	<u>28,119,165</u>	<u>-</u>	<u>463,425</u>	<u>28,141,345</u>	<u>56,723,935</u>
<b>Net assets, end of year</b>	<u><u>\$ 27,393,357</u></u>	<u><u>\$ 309</u></u>	<u><u>\$ 415,466</u></u>	<u><u>\$ 29,454,834</u></u>	<u><u>\$ 57,263,966</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of County of Mecosta conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies:

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present County of Mecosta and its component units, entities with which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, are part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the County. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

**Blended Component Units**

**Building Authority** – The Building Authority was created for the purpose of financing and constructing office buildings and related facilities to meet County needs. Mecosta County appoints a voting majority of the County Building Authority Board and can approve or modify the Building Authority's budget.

**County of Mecosta Park Commission** – The County of Mecosta Park Commission operates four major parks within the County of Mecosta. The Commission provides camping, cabins, park access, picnic facilities, youth camps, and boat ramp access to the public. The Commission's activity is included in the Enterprise Fund section of the report. The Commission is reported as of its year ended December 31, 2006.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

County of Mecosta Park Commission  
22250 Northland Drive  
Paris, MI 49338

**Discretely Presented Component Units**

**County Drain Funds and Bond Redemption Funds** – Each of the drainage districts are separate legal entities with the power to contract, to sue and to be sued, to hold, manage, and dispose of real and personal property, etc. The full faith and credit of the County may be given for the debt of the drainage districts.

**Brownfield Redevelopment Authority** – The Authority was created for the purpose of revitalizing the City and improving environmentally distressed areas.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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**County of Mecosta Road Commission** – The County of Mecosta Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies for road purposes are subject to County Board of Commissioners' approval.

The criteria established by the Government Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the County of Mecosta Road Commission Operating fund.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

County of Mecosta Road Commission  
120 DeKraft  
Big Rapids, MI 49307

**Mecosta County Medical Center** – Mecosta County controls the Medical Center under the provisions of Act 230 of the Public Acts of Michigan of 1987, known as the County Health Facilities Corporations Act. The County may take any actions it deems necessary to protect the best interest of the County, but operation of the Hospital rests with its board of trustees. The Mecosta County Medical Center combined statements, including the Mecosta County General Hospital Foundation and Mecosta County General Hospital Foundation, Inc., are included in the County report as a discretely presented component unit as of June 30, 2006. All intercompany transactions have been eliminated in the consolidation of these statements.

The Mecosta County General Hospital Foundation is a non-stock, non-profit Michigan corporation whose purpose is to accumulate funds through voluntary contributions, the earnings of which will be used to replace equipment, expand services, create education opportunities in health careers, support rehabilitation services, and to create endowments for the future of health care services at Mecosta County Medical Center.

Mecosta Health Services, Inc. was formed as a taxable municipal health facilities subsidiary corporation under the provisions of Act 230, with the Hospital as its sole corporate member. The Hospital's board of trustees nominates the MHS board of trustees members, subject to County approval.

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Mecosta County Medical Center  
605 Oak Street  
Big Rapids, MI 49307

**Jointly Governed Organizations**

**Northern Michigan Substance Abuse Services, Inc.** – The County participates jointly with numerous other Northern Michigan Counties in the operation of this agency. The funding formula requires the County to appropriate 50% of its convention facility revenue each year, which amounted to \$90,195 for the year ended December 31, 2006.

**District Health Department #10** – The County participates jointly in the operation of this Health Department with ten other area counties. All financial operations of the Health Department are recorded in Missaukee County. The County appropriated \$238,330 to the Health Department for the year ended December 31, 2006.

**Central Michigan Community Mental Health Authority** – The County participates jointly in the operation of this Authority with four other area counties. All financial operations of the Authority are recorded in the Isabella County reporting entity. The County appropriated \$166,912 to the Authority for the year ended December 31, 2006.

**Meceola Consolidated Central Dispatch Authority** – Mecosta and Osceola Counties participate jointly in the operation of the Meceola Consolidated Central Dispatch Authority. The County makes no appropriations to this Authority.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Agency funds do not have a measurement focus.

Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the Delinquent Tax Revolving Fund pays the County, and is responsible for collecting any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if collected within 60 days of fiscal year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Emergency Medical Services Fund* is used to account for emergency medical services provided which are financed by charges for services, grants, Medicare and Medicaid reimbursements, and insurance reimbursements.

The *Commission On Aging Fund* accounts for restricted funds that are limited to providing services to the aged community.

The *Revenue Sharing Reserve Fund* accounts for restricted funds that are limited to distributions which replace amounts previously reported as state revenue sharing. State law governs the amounts distributed annually, which can be used to fund governmental operations.

The *Hospital Bond Fund* accounts for the collection of property taxes which are utilized to service the 2003 Hospital Bonds. The assets purchased with the proceeds of this bond are included of the financial statements of the Mecosta County Medical Center (a discretely presented component unit).

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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The County reports the following major proprietary funds:

The *County of Mecosta Park Commission* is used to account for the operations of four major parks in County of Mecosta. The County of Mecosta Park Commission is a blended component unit of County of Mecosta.

The *Delinquent Tax Revolving Fund* is used to account for the delinquent property tax collection process administered by the County.

Additionally, the County reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than perpetual trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

*Debt Service Funds* are used to account for the accumulation and disbursement of funds for payment of outstanding indebtedness.

The *Capital Projects Funds* are used to account for the accumulation and disbursement of assets for major capital items.

The *Permanent Fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the County programs.

The *Internal Service Funds* account for services provided to the County departments on a cost reimbursement basis.

The *Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the County's internal service funds are charges to County departments for mailing and other central services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and major Special Revenue Funds. The General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The County Administrator submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at year end.
6. Adoption and amendments of all budgets used by the County are governed by Public Act 621, which was followed during the year. The appropriations resolution is based on the projected expenditures budget of the department heads of the County. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the County Board of Commissioners. The County Administrator is authorized to transfer budgeted amounts within an activity subject to the condition that the total expenditures do not exceed the approved appropriations by activity. Supplemental appropriations were necessary during the year.

Budgets for expenditures are adopted on an activity level basis in the General Fund and by function in the Special Revenue funds. Thus, expenditures may not legally exceed the budgeted amounts by activity for the General Fund and by function for the Special Revenue funds.

***Cash and Pooled Investments***

For the purpose of the statement of cash flows, the County considers all balances in the cash and investments pool to be cash and cash equivalents because the balances are available for withdrawal at any time, similar to demand deposit accounts.

***Investments***

Investments are stated at fair value at the balance sheet date.

***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are estimated to be \$387,000 at year-end, based on outstanding billings for ambulance services in the EMS Special Revenue Fund.

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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***Net Patient Service Revenue – Mecosta County Medical Center***

The Medical Center has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

***Due to/from Other Funds***

During the course of its operations, the County has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

***Inventories and Prepaid Items***

Inventories of the County of Mecosta Road Commission are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations, as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since 1980), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

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Depreciation on capital assets (including infrastructure), as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	30-50
Vehicles	3-5
Equipment and furniture	5-10
Computer equipment	2-5
Infrastructure – roads	8-30
Infrastructure – bridges	10-50

#### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Compensated Absences***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused sick and vacation pay benefits under formulas and conditions specified in the contracts. All sick pay is accrued when the employee is vested, after various years of employment with the County, based on position and bargaining unit. All vacation pay is accrued when incurred.

Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets, as a liability is reported for governmental amounts only if they have matured. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits; however, a liability is recognized for vested accumulated sick pay benefits.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

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#### *Taxes Receivable – Current*

Heretofore, County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2005, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2006, the County recognized two-thirds of the December 1, 2005 levy and all of the July 1, 2006 levy, which represents two-thirds of the total levy for 2006. In 2007, and for each year thereafter, all of the County property tax will be levied July 1.

#### *Taxes Receivable – Delinquent*

The delinquent taxes receivable, which are recorded in the enterprise funds, consist of unpaid balances of delinquent real property taxes which were purchased from all of the taxing units in Mecosta County by the County's delinquent tax funds.

#### *Interfund Transactions*

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity level for the General Fund and on a functional basis for special revenue funds. The approved budgets of the County for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

Budgeted amounts were exceeded as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
77 <sup>th</sup> District Court	\$ 469,384	\$ 470,452	\$ (1,068)
Medical examiner	67,731	67,829	(98)

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

### B. Deficit net assets

The negative balance in unrestricted net assets of governmental activities is the direct result of County of Mecosta Medical Center emergency and operation room (ER/OR) renovation. Pursuant to the provisions of Act 118, Public Acts of Michigan, 1923, as amended, the qualified electors of the County of Mecosta voted favorably to authorize the issuance of bonds in the principal amount of \$11,140,000 for the purpose of defraying the cost of renovating, expanding and equipping the Medical Center. Under full accrual accounting, bond proceeds are eliminated in the revenue section and recorded as a liability. Throughout the life of the bonds, as principal is paid, the liability will decrease. The payment of principal and interest is paid from ad valorem taxes levied on all taxable property in the County.

### 3. CASH AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$ 17,950,054	\$ 3,495,384	\$ 760,511	\$ 22,205,949
Investments	<u>121,026</u>	<u>4,957,577</u>	<u>-</u>	<u>5,078,603</u>
	<u><b>\$ 18,071,080</b></u>	<u><b>\$ 8,452,961</b></u>	<u><b>\$ 760,511</b></u>	<u><b>\$ 27,284,552</b></u>

Cash and investments consist of the following at December 31, 2006:

Petty cash	\$ 1,490
Checking / savings accounts	9,242,015
Certificates of deposit	12,487,021
Investments	<u>5,554,026</u>
<b>Total deposits</b>	<u><b>\$ 27,284,552</b></u>

These deposits are in six (6) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at market value. Interest is recorded when earned.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require, and the County does not have, a policy for deposit custodial credit risk. As of year-end, \$20,384,492 of the County's bank balance of \$22,076,846 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

#### Investments

The County chooses to disclose its investments by specifically identifying each. As of year-end, the County had the following investments:

	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
U.S. government securities	N/A	\$ 4,893,000	Moody's Aaa
Corporate bonds	N/A	152,000	Moody's A
Corporate bonds	N/A	348,000	Moody's AA
Corporate bonds	N/A	40,000	Moody's BAA
Franklin Limited Maturity U.S. Government Securities Fund	N/A	50,999	S&P AAA
Oppenheimer Strategic Income Fund Class A	N/A	70,027	S&P 4 Stars
		<b>\$ 5,554,026</b>	

#### Investment and Deposit Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments below. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Weighted-average maturity dates of certificates of deposit and investments are as follows:

<b>Investment</b>	<b>Fair Market Value</b>	<b>Weighted-Average Maturity (Years)</b>
Certificates of deposit (County)	\$ 12,387,021	0.53
Certificates of deposit (Medical Center)	100,000	2.32
U.S. agency and pass-throughs (Medical Center)	4,893,000	1.05
Corporate bonds (Medical Center)	540,000	1.59

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the County's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" below. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. Custodial credit risk has not been disclosed for mutual funds because mutual funds do not consist of specifically identifiable securities. As of December 31, 2006, none of the County's investments were exposed to risk since the securities are held in the County's name by the counterparty.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

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*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk. County policy limits investments, with the exception of U.S. Treasury securities, to no more than 50% of the County's pooled cash investment portfolio in a single security type or with a single financial institution. The County had no amounts exceeding this requirement at year-end. All investments held at year-end are reported above.

The Medical Center had investments that individually exceeded 5 percent of its total investments at year-end. These investments are as follows:

U.S. Government – FHLB discount note	\$ 896,409
U.S. Government – FNMA note	399,624
U.S. Government – FNMA discount note	759,645

#### ***Investments***

State statutes authorize the County to invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1992.

The County held an investment in a mutual fund at year-end that is disallowed by State statute because it consisted partially of international securities. The portion of the investment that was exposed to foreign currency risk amounted to \$37,394 at year-end.

Interest revenue on cash deposits and investments is allocated only to those funds required by the state to earn income on interest-bearing accounts. Income is allocated based on the cash balance of each fund in comparison to the cash balance of the County as a whole. All interest income remaining after the allocation has been made is credited to the general fund.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

### 4. RECEIVABLES

The composition of receivables in the government-wide financial statements is as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Taxes (current)	\$ 5,665,533	\$ -	\$ -
Taxes (delinquent)	-	1,212,891	-
Accounts	485,934	15,289	6,004,360
Interest	61,085	-	-
Due from other governments	<u>471,507</u>	<u>92,607</u>	<u>712,328</u>
	<b><u>\$ 6,684,059</u></b>	<b><u>\$ 1,320,787</u></b>	<b><u>\$ 6,716,688</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All governmental activities defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in governmental activities were as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
<b>Governmental Funds:</b>			
Property taxes receivable	\$ 157,799	\$ 4,064,444	\$ 4,222,243
Grants receivable	-	33,840	33,840
Ambulance fees receivable	<u>148,952</u>	<u>-</u>	<u>148,952</u>
	<b><u>\$ 306,751</u></b>	<b><u>\$ 4,098,284</u></b>	<b><u>\$ 4,405,035</u></b>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The composition of accounts payable and accrued liabilities in the government-wide financial statements is as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Accounts payable	\$ 250,782	\$ 32,589	\$ 1,050,955
Accrued liabilities	243,054	10,926	1,579,693
Due to other governments	130,616	9,371	-
Accrued interest on long-term debt	<u>81,784</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 706,236</u></b>	<b><u>\$ 52,886</u></b>	<b><u>\$ 2,630,648</u></b>

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**6. INTERFUND TRANSACTIONS**

The composition of interfund balances as of December 31, 2006, was as follows:

**Due to and from other funds**

	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
Nonmajor governmental funds	\$ -	\$ 115,713
Delinquent tax revolving fund	<u>115,713</u>	<u>-</u>
	<b><u>\$ 115,713</u></b>	<b><u>\$ 115,713</u></b>

The balances result from funds with negative balances in the County's pooled cash and investments.

**Due to and from component units**

	<b><u>Due from Component Units</u></b>	<b><u>Due to Component Units</u></b>
Revolving drain fund (Fund 802)	\$ 17,856	\$ -
Drain fund (Fund 801)	<u>-</u>	<u>17,856</u>
	<b><u>\$ 17,856</u></b>	<b><u>\$ 17,856</u></b>

For the year ended December 31, 2006, interfund transfers consisted of the following:

	<b><u>Transfers Out</u></b>	<b><u>Transfers In</u></b>
General fund	\$ 722,000	\$ 748,696
Emergency medical services	100,500	-
Commission on aging	131,454	-
Revenue sharing revenue fund	748,696	-
Nonmajor governmental funds	72,706	1,166,475
Delinquent tax revolving fund	<u>174,603</u>	<u>34,788</u>
	<b><u>\$ 1,949,959</u></b>	<b><u>\$ 1,949,959</u></b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

#### 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Dispositions	Balance December 31, 2006
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 323,000	\$ -	\$ -	\$ 323,000
Construction in progress	-	26,927	-	26,927
Total capital assets, not being depreciated	323,000	26,927	-	349,927
Capital assets, being depreciated:				
Buildings and improvements	8,888,583	8,450	-	8,897,033
Equipment and furniture	767,314	98,398	-	865,712
Vehicles	1,409,821	125,982	(81,804)	1,453,999
Total capital assets, being depreciated	11,065,718	232,830	(81,804)	11,216,744
Less accumulated depreciation for:				
Buildings and improvements	3,141,007	251,662	-	3,392,669
Equipment and furniture	405,061	99,948	-	505,009
Vehicles	1,021,969	257,377	(78,220)	1,201,126
Total accumulated depreciation	4,568,037	608,987	(78,220)	5,098,804
Net capital assets, being depreciated	6,497,681	(376,157)	(3,584)	6,117,940
Net governmental activities capital assets	\$ 6,820,681	\$ (349,230)	\$ (3,584)	\$ 6,467,867

Depreciation expense was allocated to the various functions of governmental activities as follows:

General government	\$ 143,628
Judicial	1,474
Public safety	267,077
Health and welfare	196,808
	<u>\$ 608,987</u>

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

A summary of changes in the Park Commission's capital assets is as follows:

	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance December 31, 2006</b>
<b>Business-type activities</b>				
Capital assets, being depreciated				
Land improvements	\$ 1,107,026	\$ 19,974	\$ -	\$ 1,127,000
Buildings and improvements	939,748	100,534	621	1,039,661
Machinery and equipment	493,965	30,967	16,421	508,511
Total capital assets, being depreciated	2,540,739	151,475	17,042	2,675,172
Less accumulated depreciation for:				
Land improvements	716,314	31,595	-	747,909
Buildings and improvements	302,751	45,427	621	347,557
Machinery and equipment	332,932	44,209	16,421	360,720
Total accumulated depreciation	1,351,997	121,231	17,042	1,456,186
Business-type activities capital assets, net	<u>\$ 1,188,742</u>	<u>\$ 30,244</u>	<u>\$ -</u>	<u>\$ 1,218,986</u>

A summary of changes in the Drain Commission's capital assets is as follows:

	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance December 31, 2006</b>
<b>Drain Commission Component Unit</b>				
Infrastructure	\$ 1,631,426	\$ -	\$ -	\$ 1,631,426
Less accumulated depreciation	1,287,007	47,244	-	1,334,251
Drain Commission capital assets, net	<u>\$ 344,419</u>	<u>\$ 47,244</u>	<u>\$ -</u>	<u>\$ 297,175</u>

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

A summary of changes in the Medical Center's capital assets is as follows:

<b>Medical Center Component Unit</b>	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2006</b>
Capital assets, being depreciated				
Land and land improvements	\$ 1,081,863	\$ 20,000	\$ -	\$ 1,101,863
Buildings and improvements	28,207,974	1,583,297	-	29,791,271
Equipment	23,106,264	2,411,248	-	25,517,512
Leasehold improvements	380,246	-	-	380,246
Total capital assets, being depreciated	52,776,347	4,014,545	-	56,790,892
Less accumulated depreciation for:				
Land and land improvements	179,227	13,070	-	192,297
Buildings and improvements	10,740,866	1,192,173	-	11,933,039
Equipment	15,853,154	1,568,820	-	17,421,974
Leasehold improvements	255,571	295,885	-	551,456
	27,028,818	3,069,948	-	30,098,766
Medical Center capital assets, net	\$ 25,747,529	\$ 944,597	\$ -	\$ 26,692,126

A summary of changes in the Road Commission's capital assets is as follows:

<b>Road Commission Component Unit</b>	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance December 31, 2006</b>
Capital assets, not being depreciated:				
Land	\$ 313,737	\$ 101,576	\$ -	\$ 415,313
Infrastructure land improvements	8,091,104	59,310	-	8,150,414
Total capital assets, not being depreciated	8,404,841	160,886	-	8,565,727
Capital assets, being depreciated:				
Buildings	2,382,685	-	-	2,382,685
Road equipment	5,399,383	469,845	360,651	5,508,577
Shop equipment	41,000	3,557	4,707	39,850
Office equipment	144,526	9,278	50,036	103,768
Engineering equipment	95,822	2,885	27,677	54,328
Infrastructure – bridges	2,981,357	32,550	-	3,013,907
Infrastructure – roads	25,739,771	982,699	1,476,341	25,246,129
Total capital assets, being depreciated	36,784,544	1,500,814	1,919,412	36,365,946

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

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	Balance January 1, 2006	Additions	Dispositions	Balance December 31, 2006
Less accumulated depreciation for:				
Buildings	\$ 1,031,290	\$ 77,090	\$ -	\$ 1,108,380
Road equipment	3,920,676	627,340	355,322	4,192,694
Shop equipment	36,692	743	4,707	39,850
Office equipment	120,134	8,515	50,036	103,768
Engineering equipment	77,940	4,065	27,677	54,328
Infrastructure – bridges	1,490,108	67,163	-	1,557,271
Infrastructure – roads	11,599,386	1,703,040	1,476,341	11,826,085
Total accumulated depreciation	18,276,226	2,487,956	1,914,083	18,850,099
Net capital assets, being depreciated	18,508,318	(987,142)	5,329	17,515,847
Road Commission capital assets, net	\$ 26,913,159	\$ (826,256)	\$ 5,329	\$ 26,081,574

Depreciation and depletion expense was charged to the following activities:

Net equipment expense:	
Direct equipment	\$ 627,340
Indirect equipment	81,898
Net administrative expenses:	
Office equipment	8,515
Infrastructure depreciation	1,770,203
Total depreciation expense	<u>\$2,487,956</u>

#### 8. LEASES – OPERATING

The County of Mecosta Park Commission leases the land for Brower Park. The Park Commission entered into a lease with Consumers Energy Company dated October 16, 1999 that extends from May 1, 1999 to May 1, 2024. Rent is paid annually and is to be based on an allocation of the annual expenses the Lessor expects to incur in administering the various leases, licenses, and license agreements that Lessor expects to have in place for its FERC – regulated hydro project lands. The rental amount currently is set at \$2,400 per year and shall be revised every fifth year during the term of the lease, based on projected data for the year of the revision.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

The following is a schedule of the future minimum lease payments required under the operating lease which has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006. The amount for the year ended December 31, 2008 and after is subject to changes based on the agreement discussed above.

<u>Year</u>	<u>Amount</u>
2007	\$ 2,400
2008	2,400
2009	2,400
2010	2,400
2011	2,400
2012-2016	12,000
2017-2021	12,000
2022-2024	7,200
	<u><b>\$43,200</b></u>

## 9. LONG-TERM DEBT

The following is a summary of debt transactions of the County for the year ended December 31, 2006:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
<b><i>Governmental Activities</i></b>					
Building Authority Bonds, due in annual installments of \$25,000 to \$250,000 through March 1, 2016; interest at 4.00% to 4.60%, payable semi-annually	\$ 1,775,000	\$ -	\$ (100,000)	\$1,675,000	\$ 100,000
Hospital Bonds, due in annual installments from \$200,000 to \$1,000,000 through March 1, 2023; interest at 3.00% to 4.125%, payable semi-annually.	10,940,000	-	(225,000)	10,715,000	250,000
<b>Total installment debt</b>	<b>12,715,000</b>	<b>-</b>	<b>(325,000)</b>	<b>12,390,000</b>	<b>350,000</b>
Accrued compensated absences	529,097	545,455	(470,320)	604,232	479,726
<b>Total governmental activities</b>	<b>\$ 13,244,097</b>	<b>\$ 545,455</b>	<b>\$ (795,320)</b>	<b>\$12,994,232</b>	<b>\$829,726</b>
<b><i>Business-type Activities</i></b>					
Compensated absences	\$ 34,332	\$ 14,908	\$ (17,194)	\$32,046	\$16,782

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of December 31, 2006 are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2007	\$ 350,000	\$ 485,894
2008	425,000	474,801
2009	475,000	461,144
2010	550,000	444,693
2011	600,000	423,506
2012-2016	4,015,000	1,673,546
2017-2021	4,025,000	845,655
2022-2023	1,950,000	83,942
<b>Total</b>	<b>\$12,390,000</b>	<b>\$4,893,181</b>

Accrued compensated absences for governmental activities are generally liquidated by the general fund.

#### Component Units

The County Drain Commissioner's Office is not obligated in any manner for special assessment debt (Chippewa Lake Sanitary Drain Bonds) of \$210,000. The County is only acting as an agent for the property owners in collecting the assessments, making disbursements to contractors, and making disbursements for debt retirement. At December 31, 2006, \$38,515 was available in the Debt Service Fund for retirement of the Chippewa Lake Sanitary Drain Bonds.

The long-term debt of the Drain Commission is summarized as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006	Due Within One Year
Special assessment debt, due in annual installments of \$10,000 to 35,000 through October 2012; interest at 5.75%, payable annually	\$ 245,000	\$ -	\$ (35,000)	\$ 210,000	\$ 35,000

The following is a schedule of future principal and interest payments at December 31:

	Principal	Interest
2007	\$ 35,000	\$ 12,075
2008	35,000	10,063
2009	35,000	8,050
2010	35,000	6,038
2011	35,000	4,025
2012	35,000	2,013
<b>Total</b>	<b>\$8,850,205</b>	<b>\$ 42,264</b>

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

The long-term debt of the Road Commission is summarized as follows:

	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2006</b>	<b>Due Within One Year</b>
Vested Employee Benefits					
Vacation Benefits	\$ 55,905	\$ 5,989	\$ -	\$ 61,894	\$ -
Sick Leave Benefits	159,738	5,342	-	165,080	-
<b>Total</b>	<b>\$ 215,643</b>	<b>\$ 11,331</b>	<b>\$ -</b>	<b>\$ 226,974</b>	<b>\$ -</b>

The long-term debt of the Medical Center is summarized as follows:

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
Bonds payable, 1999	\$ 6,555,000	\$ -	\$ (355,000)	\$ 6,200,000	\$ 375,000
Notes payable	1,308,495		(142,109)	1,166,386	150,131
Notes payable – MRI	-	1,469,316	-	1,469,316	334,431
Other	27,273	-	(12,770)	14,503	8,514
<b>Total long-term debt</b>	<b>\$ 7,890,768</b>	<b>\$1,469,316</b>	<b>\$ (509,879)</b>	<b>\$ 8,850,205</b>	<b>\$ 868,076</b>

The bonds payable bear interest ranging from 5.75 to 6.00, with principal payable annually in amounts ranging from \$375,000 to \$695,000. The bonds are collateralized by all property of the Hospital.

Notes payable represent amounts due under the terms of two mortgage agreements entered into with a local bank. The first agreement is in connection with the construction of a physician's office building. The note requires monthly principal payments of \$4,385, plus interest, through September 2018. The interest rate as of June 30, 2006 is 4.95 percent. The second agreement is in connection with the purchase of a physician's office building. The note requires monthly payments of \$10,220, including interest, through August 2012. The interest rate as of June 30, 2006 is 5.24 percent.

Note payable to bank – MRI represents borrowings obtained through a note payable through a local bank that was due on demand. The Hospital used funds drawn from the note payable to temporarily finance the purchase of an MRI. Subsequent to June 30, 2006, the Hospital refinanced the note payable under the terms of an equipment loan entered into with a local bank. The loan requires monthly payments of \$37,144, including interest, through February 2010 and bears interest at 3.33 percent.

**MECOSTA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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The following is a schedule of future principal and interest payments at June 30:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 868,076	\$ 462,693
2008	971,148	428,207
2009	1,018,676	382,675
2010	899,802	335,499
2011	643,587	296,500
2012-2016	3,099,640	938,234
2017-2018	1,349,276	122,700
<b>Total</b>	<b><u>\$8,850,205</u></b>	<b><u>\$2,966,508</u></b>

**10. PENSION PLANS**

***Defined Benefit Pension Plan***

**Plan Description**

Based on hire date, some of the primary government's full-time employees are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, as well as death benefits to plan members and beneficiaries. The plan is currently closed to all employees who are currently offered participation in the defined contribution plan instead.

Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

The contribution rate at December 31, 2006 ranged from \$-0- to \$18,353 per month for the County, and from 0% to 3.39% of covered payroll for employees, depending on bargaining unit and position.

For the year ended December 31, 2006, the County's annual pension cost of \$671,679 for MERS was equal to the County's required and actual contributions. Employee contributions were \$50,689. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

Year Ended	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 545,903	100%	\$ -
2005	589,871	100%	-
2006	671,679	100%	-

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2003	\$ 15,264,624	\$ 19,306,341	\$ 4,041,717	79%	\$ 3,694,821	109%
12/31/2004	16,345,778	20,258,422	3,912,644	81%	3,558,911	110%
12/31/2005	17,489,572	21,668,757	4,179,185	81%	3,444,442	121%

### ROAD COMMISSION

#### Description of Plan and Plan Assets

The Mecosta County Road Commission participates in an agent, multiple-employer defined benefit pension plan with the Municipal Employee' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement, allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. There are four groups of employees, general, union supervision, administration, and management. The service requirement for general employees, union supervision, and administrative staff is computed using credited service at the time of termination of membership multiplied by the sum of 1.7% times the final averaged compensation. The service requirement for the manager is computed using credit service at the time of termination of membership multiplied by the sum of 2% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

#### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which requires members, except for the manager, to contribute 3% of the first \$4,200 of annual compensation of 5% of portions over \$4,200. During 2006, the employees' contributions totaled \$81,444. The Road Commission is required to contribute at an actuarially determined rate, which is 2.5% of the annual payroll for the union and supervisors and 5.98% for administration based on the 2004 actuarial valuation beginning on January 1, 2006.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

#### Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions were \$101,051 in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The Road commission paid the required contribution of \$101,051. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfounded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) requirement to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

#### Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 71,975	100%	\$ -
2005	79,225	100%	-
2006	101,051	100%	-

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2003	\$ 6,472,370	\$ 6,579,887	\$ 107,517	98%	\$ 1,555,247	7%
12/31/2004	6,674,690	7,097,253	422,563	94%	1,682,593	25%
12/31/2005	6,896,710	7,379,294	482,584	93%	1,703,395	28%

#### MEDICAL CENTER

##### Description of Plan and Plan Assets

The Mecosta County Medical Center participated in an agent, multiple-employer defined benefit pension plan with the Municipal Employee' Retirement System (MERS), administered by the State of Michigan. The Hospital began a withdrawal from the plan in 1995, therefore, none of the Hospital's current payroll is covered by the plan. MERS requires terminated plans to maintain a 100 percent margin for experience fluctuation. If the Hospital is unable to meet the funding requirements at any time prior to December 31, 2008, the Hospital would be required to make a payment of the difference between the 100 percent minimum required funding and the market value of the assets, divided by the remaining years between the current year and December 31, 2008. Employers who have elected to withdraw from MERS are to receive a refund from MERS for funds in excess of 120 percent of the actuarial accrued liability.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

During 2006, the Hospital was notified by MERS that the market value of assets on deposit with MERS (approximately \$8,200,000) was less than the 100 percent minimum of the actuarial valuation accrued liability (approximately \$8,440,000) as of December 31, 2006, resulting in a shortfall of approximately \$240,000, which, when divided by two years, yields a payable of approximately \$120,000. The Hospital has recorded an adequate payable for the year ended June 30, 2006.

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total
12/31/2003	\$ 7,540,000	\$ 7,681,000	\$ 141,000	98%
12/31/2004	8,219,000	7,592,000	(626,000)	108%
12/31/2005	8,206,000	7,679,000	(527,000)	107%

#### *Defined Contribution (Money Purchase) Pension Plan - County*

County of Mecosta contributes to a defined contribution retirement plan administered by MERS with the International City Management Association Retirement Corporation (ICMA) acting as an investment fiduciary.

The County contributed \$201,384 to the plan during the year ended December 31, 2006, and employee contributions totaled \$61,480. The County contribution to the plan is 6% and the County will also match employee contributions up to an additional 3%.

#### *Defined Contribution Pension Plan – Medical Center*

The Hospital has established a defined contribution retirement plan covering substantially all employees. The employer discretionary contribution is based on the prior year net income and is distributed to employees with more than 1,000 hours of service and one year of employment. The employer contribution is calculated as the lesser of 20 percent of the employee's contribution or 1 percent of the employee's gross wages.

For the year ended June 30, 2006, the amount of pension expense was \$668,522.

Mecosta Health Services, Inc. also has a defined contribution retirement plan covering substantially all employees. The expense is determined in accordance with a plan formula that calls for an employer-discretionary contribution distributed to employees with more than nine months of service. For the year ended June 30, 2006, the amount of pension expense was \$82,116.

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**11. DEFERRED COMPENSATION PLAN**

County of Mecosta offers all employees a deferred compensation plan created in accordance with the Internal Revenue code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this section 457 plan, and the assets may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in County of Mecosta's financial statements.

**12. COMPENSATED ABSENCES – COUNTY GENERAL EMPLOYEES**

All County of Mecosta employees accrue vacation leave based on the number of years of service. Up to thirty days worth of vacation leave may be accumulated, but hours in excess of this are forfeited.

Sick leave is earned at a rate of one sick day per month if the employee works or is compensated by the employer for fifteen days that month, not to exceed twelve days per year with maximum accumulation depending on the bargaining unit. Employees also have the option of being paid at 50% of sick leave not used each year after 1986.

Upon termination of employment, vacation leave is paid at 100% of the hours accrued. Sick leave is paid for 50% of the hours accrued.

A summary of accrued compensated absences at December 31, 2006 is as follows:

Vacation	\$307,968
Sick leave	<u>296,264</u>
<b>Total</b>	<b><u>\$604,232</u></b>

**Component Units**

*Mecosta County Park Commission*

Vacation and Similar Leave Absences

Sick and vacation pay is accrued and it is the Park Commission's policy to permit employees to accumulate earned but unused sick and vacation pay. Amounts estimated to be payable within one year are shown as current liabilities and remaining amounts are classified as non-current liabilities.

At December 31, 2006, the vacation and sick benefits accrued were \$32,046.

# MECOSTA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2006

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#### *Mecosta County Road Commission*

##### Vested Employee Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of each employee. Administrative and supervisory union employees may accumulate vacation leave time of up to five weeks and non-supervisory employees may accumulate up to four weeks. If union employees are unable to use their vacation benefits and will lose them, they may apply to the engineer/administrator four weeks in advance of the end of their vacation eligibility year for permission to carry their unused vacation into the following year. The total vested vacation benefits were \$61,894 at December 31, 2006.

##### Vested Employee Sick Leave Benefits

All employees shall accumulate one sick leave day per month, not to exceed twelve, eight-hour days per year. Upon retirement or death, all union employees shall be paid at his or her regular rate of pay of up to 400 hours unused sick leave. All union employees may accumulate up to 1200 hours and administrative employees have no limit on the accumulation of sick leave. The total sick leave benefits were \$165,080 at December 31, 2006.

Annually, on each supervisory union employee's anniversary date, the employer can pay all sick hours in excess of 400 hours, a lump sum payment calculated at \$9 per hour.

### 13. RISK MANAGEMENT

#### **Primary Government**

Mecosta County (including Parks Commission) is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The County participates in the Michigan Municipal Risk Management Authority (MMRMA). The Authority is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships, and special purpose governments. Mecosta County is responsible for paying all losses, including damages, loss adjustment expenses, and defense costs, for each occurrence that falls within the County's self-insured retention (SIR). The County's self-insurance retention is the first \$75,000 for liability, \$15,000 for vehicle/\$30,000 per occurrence for vehicle physical damage, and 10% up to \$100,000 for property and crime coverage.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the previous three years are as follows:

	<b>Beginning of Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Year Liability</b>
2005	\$ 59,871	\$ 18,210	\$ 34,272	\$ 43,809
2006	43,809	(29,071)	2,738	12,000

**MECOSTA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

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**14. CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statement of the individual fund types included herein or on the overall financial position of the County at December 31, 2006.

**15. OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 10, the County provides post-employment benefits to all retired employees and/or their spouses. The benefit includes the provision that a retiree pays 100% of the cost of the premium.

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. For the retired employees only, between 60 and 65 years of age, premiums of medical benefits are paid in full by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, three retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$13,459 were recognized for post-retirement healthcare.

**16. HOSPITAL RENOVATION**

Included in health and welfare expenditures is \$578,162 of expenses relating to costs to renovate, expand, and equip the Mecosta Medical Center (a separate entity). This is being funded through bonds issued in prior years.

**17. PRIOR PERIOD ADJUSTMENT**

Beginning fund balances of the Emergency Planning Committee, Commission on Aging, and Commission on Aging Meals funds were decreased by \$3,310, \$14,835, and \$32,007, respectively, to correct an over-accrual of grants receivable in the prior year. This resulted in a decrease of net assets of governmental activities of \$50,152.

Beginning net assets of the Office of the Drain Commissioner component unit were increased by \$344,419 to reflect the retroactive reporting of infrastructure assets. The components of this increase were the historical cost of \$1,631,426, less accumulated depreciation of \$1,287,007.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

	Special Revenue				
	Medical First Responders (211)	District Court Alcohol Assessments (213)	District Court Case Flow Management (214)	Friend of The Court (215)	Prosecutor's Drug Forfeitures (216)
<b>Assets</b>					
Cash and equivalents	\$ 17,688	\$ 2,304	\$ 34,275	\$ 318,079	\$ 3,232
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	-	-	101,435	-
<b>Total assets</b>	<b>\$ 17,688</b>	<b>\$ 2,304</b>	<b>\$ 34,275</b>	<b>\$ 419,514</b>	<b>\$ 3,232</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,150	\$ -	\$ 1,405	\$ 1,362	\$ 25
Accrued liabilities	-	-	-	4,884	-
Due to other funds	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>7,150</b>	<b>-</b>	<b>1,405</b>	<b>6,246</b>	<b>25</b>
<b>Fund balances</b>					
Reserved for permanent fund corpus	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	10,538	2,304	32,870	413,268	3,207
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total fund balances</b>	<b>10,538</b>	<b>2,304</b>	<b>32,870</b>	<b>413,268</b>	<b>3,207</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,688</b>	<b>\$ 2,304</b>	<b>\$ 34,275</b>	<b>\$ 419,514</b>	<b>\$ 3,232</b>

Continued...

Special Revenue									
Family Counseling (217)	Remonu- mentation Grant (232)	County Housing Rehab Program (234)	District Court Tether Program (236)	Building Improvement (245)	Building Department (249)	Drunk Driving (250)	Salvage Vehicle Inspection Fee (253)		
\$ 73,324	\$ -	\$ 48,567	\$ 9,833	\$ 111,923	\$ 321,428	\$ 435	\$ 6,026		
-	-	-	-	-	-	-	-		
-	-	-	87	-	1,320	-	-		
45	37,718	151,624	34	-	-	-	-		
\$ 73,369	\$ 37,718	\$ 200,191	\$ 9,954	\$ 111,923	\$ 322,748	\$ 435	\$ 6,026		
\$ -	\$ -	\$ 48,567	\$ 32	\$ -	\$ 13,155	\$ -	\$ -		
-	-	-	-	-	5,569	-	-		
-	34,874	77,858	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	34,874	126,425	32	-	18,724	-	-		
-	-	-	-	-	-	-	-		
73,369	2,844	73,766	9,922	111,923	304,024	435	6,026		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
73,369	2,844	73,766	9,922	111,923	304,024	435	6,026		
\$ 73,369	\$ 37,718	\$ 200,191	\$ 9,954	\$ 111,923	\$ 322,748	\$ 435	\$ 6,026		

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Balance Sheet (Continued)**

**Nonmajor Governmental Funds**

**December 31, 2006**

	<b>Special Revenue</b>				
	<b>Emergency Planning Committee (254)</b>	<b>Register of Deeds Automation (256)</b>	<b>Budget Stabilization (257)</b>	<b>D.A.R.E. Program (258)</b>	<b>Township Law Enforcement (261)</b>
<b>Assets</b>					
Cash and equivalents	\$ 7,353	\$ 52,472	\$ 879,000	\$ 43,651	\$ 19,957
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	-	-	-	(1,815)
<b>Total assets</b>	<b>\$ 7,353</b>	<b>\$ 52,472</b>	<b>\$ 879,000</b>	<b>\$ 43,651</b>	<b>\$ 18,142</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,998	\$ 3,105	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>6,998</b>	<b>3,105</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for permanent fund corpus	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	355	49,367	879,000	43,651	18,142
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total fund balances</b>	<b>355</b>	<b>49,367</b>	<b>879,000</b>	<b>43,651</b>	<b>18,142</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,353</b>	<b>\$ 52,472</b>	<b>\$ 879,000</b>	<b>\$ 43,651</b>	<b>\$ 18,142</b>

Continued...

Special Revenue									
Corrections Officer Training (262)	Jail Maintenance (264)	Drug Law Enforcement (265)	Community Corrections Programs (267)	Law Library (269)	Commission on Aging Liability Reserve (272)	Commission on Aging Meals (273)	Law Enforcement Training (287)		
\$ 46,804	\$ 122,399	\$ 7,514	\$ 36,937	\$ 1,580	\$ 100,000	\$ 145,711	\$ 9,465		
-	-	-	-	-	-	-	-		
932	113	-	270	-	-	-	-		
-	-	-	10,517	-	-	12,528	-		
\$ 47,736	\$ 122,512	\$ 7,514	\$ 47,724	\$ 1,580	\$ 100,000	\$ 158,239	\$ 9,465		
\$ -	\$ 1,181	\$ -	\$ 53	\$ 1,579	\$ -	\$ 1,780	\$ 1,170		
-	-	-	705	-	-	5,549	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	1,181	-	758	1,579	-	7,329	1,170		
-	-	-	-	-	-	-	-		
47,736	121,331	7,514	46,966	1	100,000	150,910	8,295		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
47,736	121,331	7,514	46,966	1	100,000	150,910	8,295		
\$ 47,736	\$ 122,512	\$ 7,514	\$ 47,724	\$ 1,580	\$ 100,000	\$ 158,239	\$ 9,465		

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

	Special Revenue				
	Law Enforcement Block Grant (288)	Secondary Road Patrol (289)	Family Independence Agency (290)	Probate Court Diversion Program (291)	Child Care (292)
<b>Assets</b>					
Cash and equivalents	\$ -	\$ -	\$ 100,649	\$ 8,760	\$ 618,741
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	21,253	65,542	-	7,484
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 21,253</b>	<b>\$ 166,191</b>	<b>\$ 8,760</b>	<b>\$ 626,225</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 2,626	\$ -	\$ 4,949
Accrued liabilities	-	2,328	-	-	2,775
Due to other funds	-	2,981	-	-	-
Due to other governmental units	-	-	118,107	-	12,509
Deferred revenue	-	-	33,840	-	-
<b>Total liabilities</b>	<b>-</b>	<b>5,309</b>	<b>154,573</b>	<b>-</b>	<b>20,233</b>
<b>Fund balances</b>					
Reserved for permanent fund corpus	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	-	15,944	11,618	8,760	605,992
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>15,944</b>	<b>11,618</b>	<b>8,760</b>	<b>605,992</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 21,253</b>	<b>\$ 166,191</b>	<b>\$ 8,760</b>	<b>\$ 626,225</b>

Continued...

Special Revenue			Debt Service		Capital Projects		
Soldiers' and Sailors' Relief (293)	Veterans' Trust (294)	Runaway Services (297)	Jail Expansion (318)	Mecosta County Building Authority (569)	County Building Expansion (403)	Hospital Renovation (404)	Capital Equipment (405)
\$ 28,191	\$ 203	\$ 5,458	\$ 114,850	\$ 8,380	\$ 94,418	\$ 262,631	\$ 314,330
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,742	-	-	-	-	-
<u>\$ 28,191</u>	<u>\$ 203</u>	<u>\$ 13,200</u>	<u>\$ 114,850</u>	<u>\$ 8,380</u>	<u>\$ 94,418</u>	<u>\$ 262,631</u>	<u>\$ 314,330</u>
\$ 537	\$ 1	\$ 6,069	\$ -	\$ -	\$ -	\$ -	\$ 8,015
-	-	2,779	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>537</u>	<u>1</u>	<u>8,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,015</u>
-	-	-	-	-	-	-	-
27,654	202	4,352	-	-	-	-	-
-	-	-	114,850	8,380	-	-	-
-	-	-	-	-	94,418	262,631	306,315
-	-	-	-	-	-	-	-
<u>27,654</u>	<u>202</u>	<u>4,352</u>	<u>114,850</u>	<u>8,380</u>	<u>94,418</u>	<u>262,631</u>	<u>306,315</u>
<u>\$ 28,191</u>	<u>\$ 203</u>	<u>\$ 13,200</u>	<u>\$ 114,850</u>	<u>\$ 8,380</u>	<u>\$ 94,418</u>	<u>\$ 262,631</u>	<u>\$ 314,330</u>

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Balance Sheet (Concluded)**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

	<u>Permanent</u>	
	<b>Broomfield Trust (757)</b>	<u>Total</u>
<b>Assets</b>		
Cash and equivalents	\$ 4,467	\$ 3,981,035
Investments	121,026	121,026
Accounts receivable	-	2,722
Due from other governmental units	-	414,107
	<u>-</u>	<u>414,107</u>
<b>Total assets</b>	<u>\$ 125,493</u>	<u>\$ 4,518,890</u>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 979	\$ 110,738
Accrued liabilities	-	24,589
Due to other funds	-	115,713
Due to other governmental units	-	130,616
Deferred revenue	-	33,840
	<u>-</u>	<u>33,840</u>
Total liabilities	<u>979</u>	<u>415,496</u>
<b>Fund balances</b>		
Reserved for permanent fund corpus	100,000	100,000
Unreserved, undesignated reported in:		
Special revenue funds	-	3,192,286
Debt service funds	-	123,230
Capital projects funds	-	663,364
Permanent funds	24,514	24,514
	<u>24,514</u>	<u>24,514</u>
Total fund balances	<u>124,514</u>	<u>4,103,394</u>
<b>Total liabilities and fund balances</b>	<u>\$ 125,493</u>	<u>\$ 4,518,890</u>

Concluded

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2006**

	Special Revenue				
	Medical First Responders (211)	District Court Alcohol Assessments (213)	District Court Case Flow Management (214)	Friend of the Court (215)	Prosecutor's Drug Forfeitures (216)
<b>Revenue</b>					
License and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal	-	-	-	310,434	-
State	-	-	15,337	6,916	-
Local	-	-	-	-	-
Charges for services	-	-	-	113,788	1,626
Interest and rentals	-	-	-	-	100
Other revenue	-	-	-	-	-
Total revenue	-	-	15,337	431,138	1,726
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Judicial	-	-	24,025	-	-
Public safety	-	-	-	-	1,132
Health and welfare	100,500	1,260	-	396,405	-
Community & economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	100,500	1,260	24,025	396,405	1,132
Revenue over (under) expenditures	(100,500)	(1,260)	(8,688)	34,733	594
<b>Other financing sources (uses)</b>					
Transfers in	100,500	1,000	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	100,500	1,000	-	-	-
Net change in fund balances	-	(260)	(8,688)	34,733	594
Fund balances, beginning of year, as restated	10,538	2,564	41,558	378,535	2,613
<b>Fund balances, end of year</b>	<b>\$ 10,538</b>	<b>\$ 2,304</b>	<b>\$ 32,870</b>	<b>\$ 413,268</b>	<b>\$ 3,207</b>

Continued...

Special Revenue							
Family Counseling (217)	Remonu- mentation Grant (232)	County Housing Rehab Program (234)	District Court Tether Program (236)	Building Improvement (245)	Building Department (249)	Drunk Driving (250)	Salvage Vehicle Inspection Fee (253)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,517	\$ -	\$ -
-	-	207,384	-	-	-	-	-
-	62,863	-	-	-	-	7,607	-
-	-	-	-	-	-	-	-
4,340	-	-	4,573	-	3,681	-	5,259
-	-	-	-	-	12,718	-	-
-	-	5,887	-	-	-	-	-
4,340	62,863	213,271	4,573	-	243,916	7,607	5,259
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	62,829	-	3,778	-	-	7,099	3,941
1,204	-	191,333	-	-	-	-	-
-	-	-	-	-	265,111	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	25,782	-	-	-
1,204	62,829	191,333	3,778	25,782	265,111	7,099	3,941
3,136	34	21,938	795	(25,782)	(21,195)	508	1,318
-	-	-	-	50,000	-	-	-
-	(32,989)	-	-	-	-	(73)	-
-	-	-	-	-	-	-	-
-	(32,989)	-	-	50,000	-	(73)	-
3,136	(32,955)	21,938	795	24,218	(21,195)	435	1,318
70,233	35,799	51,828	9,127	87,705	325,219	-	4,708
\$ 73,369	\$ 2,844	\$ 73,766	\$ 9,922	\$ 111,923	\$ 304,024	\$ 435	\$ 6,026

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2006**

	<b>Special Revenue</b>				
	<b>Emergency Planning Committee (254)</b>	<b>Register of Deeds Automation (256)</b>	<b>Budget Stabilization (257)</b>	<b>D.A.R.E. Program (258)</b>	<b>Township Law Enforcement (261)</b>
<b>Revenue</b>					
License and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal	26,864	-	-	-	-
State	-	-	-	-	827
Local	-	-	-	-	1,312
Charges for services	171	54,700	-	-	-
Interest and rentals	-	-	-	1,678	-
Other revenue	-	-	-	22,989	-
Total revenue	27,035	54,700	-	24,667	2,139
<b>Expenditures</b>					
Current:					
General government	-	31,884	-	-	-
Judicial	-	-	-	-	-
Public safety	11,434	-	-	16,115	1,916
Health and welfare	-	-	-	-	-
Community & economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	41,989	-	-	-	-
Total expenditures	53,423	31,884	-	16,115	1,916
Revenue over (under) expenditures	(26,388)	22,816	-	8,552	223
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(26,388)	22,816	-	8,552	223
Fund balances, beginning of year, as restated	26,743	26,551	879,000	35,099	17,919
<b>Fund balances, end of year</b>	<b>\$ 355</b>	<b>\$ 49,367</b>	<b>\$ 879,000</b>	<b>\$ 43,651</b>	<b>\$ 18,142</b>

Continued...

Special Revenue								
Corrections Officer Training (262)	Jail Maintenance (264)	Drug Law Enforcement (265)	Community Corrections Programs (267)	Law Library (269)	Commission on Aging Liability Reserve (272)	Commission on Aging Meals (273)	Law Enforcement Training (287)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	109,822	-	
-	-	-	92,154	-	-	40,641	5,467	
-	-	-	-	-	-	-	-	
11,810	94,218	4,981	15,378	8,599	-	21,360	-	
-	-	352	-	-	-	4,997	-	
-	1,916	-	-	-	-	91,399	-	
11,810	96,134	5,333	107,532	8,599	-	268,219	5,467	
-	-	-	-	-	-	-	-	
-	-	-	-	16,001	-	-	-	
1,992	60,359	3,727	78,564	-	-	-	6,476	
-	-	-	-	-	-	274,974	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
1,992	60,359	3,727	78,564	16,001	-	274,974	6,476	
9,818	35,775	1,606	28,968	(7,402)	-	(6,755)	(1,009)	
37,918	-	-	5,000	6,003	100,000	35,454	-	
-	(37,918)	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
37,918	(37,918)	-	5,000	6,003	100,000	35,454	-	
47,736	(2,143)	1,606	33,968	(1,399)	100,000	28,699	(1,009)	
-	123,474	5,908	12,998	1,400	-	122,211	9,304	
\$ 47,736	\$ 121,331	\$ 7,514	\$ 46,966	\$ 1	\$ 100,000	\$ 150,910	\$ 8,295	

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2006**

	Special Revenue				
	Law Enforcement Block Grant (288)	Secondary Road Patrol (289)	Family Independence Agency (290)	Probate Court Diversion Program (291)	Child Care (292)
<b>Revenue</b>					
License and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal	-	-	-	-	15,386
State	-	81,038	544,834	-	210,921
Local	-	-	-	-	-
Charges for services	-	-	53,628	-	24,114
Interest and rentals	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenue	-	81,038	598,462	-	250,421
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	79,288	-	2,970	-
Health and welfare	-	-	599,242	-	464,195
Community & economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	79,288	599,242	2,970	464,195
Revenue over (under) expenditures	-	1,750	(780)	(2,970)	(213,774)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	6,000	-	400,000
Transfers out	-	(1,726)	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	-	(1,726)	6,000	-	400,000
Net change in fund balances	-	24	5,220	(2,970)	186,226
Fund balances, beginning of year, as restated	-	15,920	6,398	11,730	419,766
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 15,944</b>	<b>\$ 11,618</b>	<b>\$ 8,760</b>	<b>\$ 605,992</b>

Continued...

Special Revenue			Debt Service		Capital Projects		
Soldiers' and Sailors' Relief (293)	Veterans' Trust (294)	Runaway Services (297)	Jail Expansion (318)	Mecosta County Building Authority (569)	County Building Expansion (403)	Hospital Renovation (404)	Capital Equipment (405)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	94,670	-	-	-	-	21,558
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	94,670	-	-	-	-	21,558
-	-	-	-	-	-	-	-
-	-	-	-	58	-	-	-
-	-	-	-	-	-	-	-
-	-	95,973	-	-	-	-	-
1,586	2,442	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	100,000	-	-	-	-
-	-	-	74,569	-	-	-	-
-	-	-	-	-	-	578,162	229,682
1,586	2,442	95,973	174,569	58	-	578,162	229,682
(1,586)	(2,442)	(1,303)	(174,569)	(58)	-	(578,162)	(208,124)
-	-	-	174,600	-	-	-	250,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	258
-	-	-	174,600	-	-	-	250,258
(1,586)	(2,442)	(1,303)	31	(58)	-	(578,162)	42,134
29,240	2,644	5,655	114,819	8,438	94,418	840,793	264,181
\$ 27,654	\$ 202	\$ 4,352	\$ 114,850	\$ 8,380	\$ 94,418	\$ 262,631	\$ 306,315

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Concluded)**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2006**

	<u>Permanent</u>	
	<u>Broomfield Trust (757)</u>	<u>Total</u>
<b>Revenue</b>		
License and permits	\$ -	\$ 227,517
Intergovernmental:		
Federal	-	669,890
State	-	1,068,605
Local	-	1,312
Charges for services	-	538,454
Interest and rentals	6,759	26,604
Other revenue	-	122,191
	<u>6,759</u>	<u>2,654,573</u>
Total revenue		
	<u>6,759</u>	<u>2,654,573</u>
<b>Expenditures</b>		
Current:		
General government	7,062	39,004
Judicial	-	40,026
Public safety	-	437,593
Health and welfare	-	2,033,141
Community & economic development	-	265,111
Debt service:		
Principal	-	100,000
Interest	-	74,569
Capital outlay	-	875,615
	<u>7,062</u>	<u>3,865,059</u>
Total expenditures		
	<u>7,062</u>	<u>3,865,059</u>
Revenue over (under) expenditures	(303)	(1,210,486)
<b>Other financing sources (uses)</b>		
Transfers in	-	1,166,475
Transfers out	-	(72,706)
Sale of capital assets	-	258
	<u>-</u>	<u>1,094,027</u>
Total other financing sources (uses)		
	<u>-</u>	<u>1,094,027</u>
Net change in fund balances	(303)	(116,459)
Fund balances, beginning of year, as restated	124,817	4,219,853
<b>Fund balances, end of year</b>	<u>\$ 124,514</u>	<u>\$ 4,103,394</u>
		Concluded

## **NONMAJOR ENTERPRISE FUNDS**

**COUNTY OF MECOSTA, MICHIGAN**

**Combining Statement of Net Assets**

**Nonmajor Enterprise Funds**

**December 31, 2006**

	<b>Prescription</b>			
	<b>Health</b>	<b>Plat</b>	<b>Public</b>	
	<b>Plan</b>	<b>Review</b>	<b>Works</b>	
	<b>(501)</b>	<b>(506)</b>	<b>(641)</b>	<b>Totals</b>
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,327	\$ 6,228	\$ 540	\$ 9,095
<b>Current liabilities</b>				
Accounts payable	1	-	-	1
<b>Net assets</b>				
Unrestricted	\$ 2,326	\$ 6,228	\$ 540	\$ 9,094

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenses,**  
**and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2006**

	<b>Prescription Health Plan (501)</b>	<b>Plat Review (506)</b>	<b>Public Works (641)</b>	<b>Totals</b>
<b>Operating revenue</b>				
Charges for services	\$ 740	\$ 980	\$ -	\$ 1,720
<b>Operating expenses</b>				
Postage	47	-	-	47
Other services and charges	700	-	-	700
Total operating expenses	747	-	-	747
Change in net assets	(7)	980	-	973
Net assets, beginning of year	2,333	5,248	540	8,121
<b>Net assets, end of year</b>	<b>\$ 2,326</b>	<b>\$ 6,228</b>	<b>\$ 540</b>	<b>\$ 9,094</b>

# COUNTY OF MECOSTA, MICHIGAN

## Combining Statement of Cash Flows

### Nonmajor Enterprise Funds

For the Year Ended December 31, 2006

	<b>Prescription Health Plan (501)</b>	<b>Plat Review Fees (506)</b>	<b>Public Works (641)</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 740	\$ 980	\$ -	\$ 1,720
Payments to suppliers	(746)	-	-	(746)
Net increase (decrease) in cash and pooled investments	(6)	980	-	974
Cash and pooled investments, beginning of year	2,333	5,248	540	8,121
<b>Cash and pooled investments, end of year</b>	<u>\$ 2,327</u>	<u>\$ 6,228</u>	<u>\$ 540</u>	<u>\$ 9,095</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (7)	\$ 980	\$ -	\$ 973
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in:				
Accounts payable	1	-	-	1
Net cash provided by (used in) operating activities	<u>\$ (6)</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 974</u>

## **INTERNAL SERVICE FUNDS**

# COUNTY OF MECOSTA, MICHIGAN

## Combining Statement of Net Assets

### Internal Service Funds

December 31, 2006

	Central Stores (633)	Equalization Revolving (646)	Mailing Department (653)	Total
<b>Current assets</b>				
Cash and pooled investments	\$ 786	\$ 33,404	\$ 1,621	\$ 35,811
Accounts receivable	-	2,836	-	2,836
Total assets	786	36,240	1,621	38,647
<b>Current liabilities</b>				
Accounts payable	149	26	-	175
<b>Net assets</b>				
Unrestricted	\$ 637	\$ 36,214	\$ 1,621	\$ 38,472

**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2006**

	<b>Central Stores (633)</b>	<b>Equalization Revolving (646)</b>	<b>Mailing Department (653)</b>	<b>Total</b>
<b>Operating revenue</b>				
Charges for services	\$ 14,509	\$ 41,940	\$ 27,964	\$ 84,413
<b>Operating expenses</b>				
Supplies	14,726	2,877	1	17,604
Postage	-	14,664	28,030	42,694
Other services and charges	-	5,197	-	5,197
Total operating expenses	14,726	22,738	28,031	65,495
Operating income (loss)	(217)	19,202	(67)	18,918
Net assets, beginning of year	854	17,012	1,688	19,554
<b>Net assets, end of year</b>	<b>\$ 637</b>	<b>\$ 36,214</b>	<b>\$ 1,621</b>	<b>\$ 38,472</b>

# COUNTY OF MECOSTA, MICHIGAN

## Combining Statement of Cash Flows

### Internal Service Funds

For the Year Ended December 31, 2006

	Central Stores (633)	Equalization Revolving (646)	Mailing Department (653)	Total
<b>Cash flows from operating activities</b>				
Receipts from interfund services provided	\$ 14,509	\$ 39,104	\$ 27,964	\$ 81,577
Payments to suppliers	(14,577)	(22,712)	(28,031)	(65,320)
Net cash provided by (used in) operating activities	(68)	16,392	(67)	16,257
Cash and pooled investments, beginning of year	854	17,012	1,688	19,554
<b>Cash and pooled investments, end of year</b>	<u>\$ 786</u>	<u>\$ 33,404</u>	<u>\$ 1,621</u>	<u>\$ 35,811</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (217)	\$ 19,202	\$ (67)	\$ 18,918
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in:				
Accounts receivable	-	(2,836)	-	(2,836)
Accounts payable	149	26	-	175
Net cash provided by (used in) operating activities	<u>\$ (68)</u>	<u>\$ 16,392</u>	<u>\$ (67)</u>	<u>\$ 16,257</u>

## **FIDUCIARY FUNDS**

# COUNTY OF MECOSTA, MICHIGAN

## Combining Balance Sheet

### Agency Funds

December 31, 2006

	Trust And Agency (701)	Library Penal Fine Fund (721)	District Court Criminal (759)	District Court Trust (760)
<b>Assets</b>				
Cash and cash equivalents	\$ 319,927	\$ 168,118	\$ 75,890	\$ 186,793
Accounts receivable	88,031	-	-	-
Total assets	<u>\$ 407,958</u>	<u>\$ 168,118</u>	<u>\$ 75,890</u>	<u>\$ 186,793</u>
<b>Liabilities</b>				
Accounts payable	\$ 258,656	\$ 168,118	\$ 75,890	\$ 186,793
Due to other governmental units	149,302	-	-	-
Total liabilities	<u>\$ 407,958</u>	<u>\$ 168,118</u>	<u>\$ 75,890</u>	<u>\$ 186,793</u>

<b>Inmate Trust (764)</b>	<b>Inmate Commissary (765)</b>	<b>Total</b>
\$ 2,008	\$ 7,775	\$ 760,511
-	-	88,031
\$ 2,008	\$ 7,775	\$ 848,542
\$ 2,008	\$ 7,775	\$ 699,240
-	-	149,302
\$ 2,008	\$ 7,775	\$ 848,542

## **COMPONENT UNITS**

# COUNTY OF MECOSTA, MICHIGAN

## Balance Sheet / Statement of Net Assets

### Office of the Drain Commissioner

December 31, 2006

	Governmental Funds			
	Drain Fund (801)	Revolving Drain Fund (802)	Chippewa Lake Bond Redemption (820)	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 87,739	\$ 2,818	\$ 38,515	\$ 129,072
Accounts receivable	2,974	-	210,000	212,974
Due from other funds	-	17,856	-	17,856
Capital assets, net	-	-	-	-
<b>Total assets</b>	<u>\$ 90,713</u>	<u>\$ 20,674</u>	<u>\$ 248,515</u>	<u>\$ 359,902</u>
<b>Liabilities</b>				
Accounts payable	\$ 13,755	\$ -	\$ -	\$ 13,755
Due to other funds	17,856	-	-	17,856
Deferred revenue	-	-	210,000	210,000
Long-term debt:				
Due in one year	-	-	-	-
Due in more than one year	-	-	-	-
<b>Total liabilities</b>	31,611	-	210,000	241,611
<b>Fund balance</b>				
Unrestricted	59,102	20,674	38,515	118,291
<b>Total liabilities and fund balance</b>	<u>\$ 90,713</u>	<u>\$ 20,674</u>	<u>\$ 248,515</u>	<u>\$ 359,902</u>
<b>Net assets</b>				
Invested in capital assets				
Unrestricted				
<b>Total net assets</b>				

<b>Adjustments</b>	<b>Statement of Net Assets</b>
\$ -	\$ 129,072
-	212,974
(17,856)	-
<u>297,175</u>	<u>297,175</u>
<u>\$ 279,319</u>	<u>639,221</u>
\$ -	13,755
(17,856)	-
(210,000)	-
35,000	35,000
<u>175,000</u>	<u>175,000</u>
(17,856)	223,755
<u>(118,291)</u>	-
297,175	297,175
<u>118,291</u>	<u>118,291</u>
<u>\$ 415,466</u>	<u>\$ 415,466</u>

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**Office of the Drain Commissioner**  
**December 31, 2006**

Fund balances - total governmental funds	\$ 118,291
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

Add: capital assets, net of accumulated depreciation	297,175
--	---------

Certain assets, such as assessments receivable from local units, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statement

Add: deferred assessments receivable	210,000
--------------------------------------	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Deduct: bonds payable, current	(35,000)
Deduct: bonds payable, long-term	<u>(175,000)</u>

Net assets of governmental activities	<u><u>\$ 415,466</u></u>
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**COUNTY OF MECOSTA, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances / Statement of Activities**  
**Office of the Drain Commissioner**  
**For the Year Ended December 31, 2006**

	<b>Governmental Funds</b>			
	<b>Drain Fund (801)</b>	<b>Revolving Drain Fund (802)</b>	<b>Chippewa Lake Bond Redemption (820)</b>	<b>Total</b>
<b>Revenues</b>				
Interest	\$ 3,489	\$ 236	\$ 169	\$ 3,894
Charges for services	18,456	-	49,088	67,544
Total operating revenue	21,945	236	49,257	71,438
<b>Expenditures/expenses</b>				
Current:				
Public works	25,515	-	-	25,515
Depreciation	-	-	-	-
Debt service:				
Principal	-	-	35,000	35,000
Interest	-	-	11,638	11,638
Total operating expenditures/expenses	25,515	-	46,638	72,153
Change in fund balances/net assets	(3,570)	236	2,619	(715)
<b>Fund balances/net assets</b>				
Beginning of year	62,672	20,438	35,896	119,006
<b>End of year</b>	<u>\$ 59,102</u>	<u>\$ 20,674</u>	<u>\$ 38,515</u>	<u>\$ 118,291</u>

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 3,894
(35,000)	32,544
<u>(35,000)</u>	<u>36,438</u>
-	25,515
47,244	47,244
(35,000)	-
<u>-</u>	<u>11,638</u>
<u>12,244</u>	<u>84,397</u>
(47,244)	(47,959)
<u>344,419</u>	<u>463,425</u>
<u>\$ 297,175</u>	<u>\$ 415,466</u>

**COUNTY OF MECOSTA, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Office of the Drain Commissioner**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds	\$ (715)
--	----------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Deduct: depreciation expense	(47,244)
------------------------------	----------

Assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statement

Deduct: change in deferred assessments receivable	(35,000)
---	----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Add: principal payments on long-term liabilities	<u>35,000</u>
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Change in net assets of governmental activities	<u><u>\$ (47,959)</u></u>
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## **SINGLE AUDIT SECTION**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 12, 2007

Honorable Chairman and Members  
of the Board of Commissioners  
Mecosta County  
Big Rapids, Michigan 49307

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecosta, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Road Commission and Medical Center discretely presented component units or the Park Commission blended component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements insofar as it relates to the amounts included for the Road Commission, Park Commission, and Medical Center, was based solely on the reports of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Mecosta, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in item 2006-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Mecosta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the County Commissioners, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 12, 2007

Honorable Chairman and Members  
of the Board of Commissioners  
Mecosta County  
Big Rapids, Michigan 49307

**Compliance**

We have audited the compliance of the County of Mecosta, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County of Mecosta, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mecosta County, Michigan's, management. Our responsibility is to express an opinion on the County of Mecosta, Michigan's compliance based on our audit.

The County of Mecosta, Michigan's financial statements include the operations of the Road Commission Component Unit, which received \$364,098 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2006. Our audit, described below, did not include the operations of the Road Commission Component Unit because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Mecosta, Michigan's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Mecosta, Michigan's compliance with those requirements.

In our opinion, the County of Mecosta, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### **Internal Control Over Compliance**

The management of the County of Mecosta, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Mecosta, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County of Mecosta, Michigan's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the County Board of Commissioners, management, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# MECOSTA COUNTY

## Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2006

Federal / Pass-through Grantor Program Title	CFDA Number	Federal / Pass-through Grantor Number	Award Amount	Federal Expenditures
<b>U.S. Department Housing and Urban Development</b>				
Passed-through Michigan State Housing Development Authority: CDBG Rehabilitation Program	14.228	MSC-2004-0762-HOA	\$ 225,000	<u>\$ 207,384</u>
<b>U.S. Department of Justice</b>				
Passed-through State Department of Human Services: Juvenile Accountability Incentive Block Grant	16.523	JABGN-06-54001	36,032	<u>15,386</u>
<b>U.S. Department of Homeland Security</b>				
Passed-through Michigan Department of State Police, Emergency Management Division:				
Emergency Management Performance Grant	97.062		15,590	10,154
Homeland Security Grant Program	97.004		22,000	21,998
Homeland Security Grant Program	97.004		18,564	<u>4,866</u>
Total U.S. Department of Homeland Security				<u>37,018</u>
<b>U.S. Department of Health and Human Services</b>				
Passed-through Michigan Department of Human Services:				
Friend of the Court Federal Incentives	93.563		61,494	61,494
PA CRP Title IV-D	93.563	CS/PA-06-54002	51,739	40,276
FOC CRP Title IV-D	93.563	CS/FOC/06-54001	311,165	248,940
Title IV-E	93.658	PROFC-06-54001-2	35,671	<u>1,863</u>
				<u>352,573</u>
Passed-through Area Agency on Aging of Western Michigan Inc. (AAAWM):				
Senior Center Staffing Title IIIB 05-06	93.044	51.72	6,000	6,000
Assisted Transportation, Title IIIB (AAA) 05-06	93.044	51.72	19,315	9,582
Assisted Transportation, Title IIIB (AAA) 06-07	93.044	51.72	19,315	4,740
Homemaker Aide, Title IIIB 05-06	93.044	51.72	25,500	13,000
Homemaker Aide, Title IIIB 06-07	93.044	51.72	25,500	947
Outreach Assistance, Title IIIB 05-06	93.044	61.72	10,762	7,320
Outreach Assistance, Title IIIB 06-07	93.044	61.72	10,762	5,099
Congregate Meals Title IIIC-1 05-06	93.045	61.72	18,955	13,594
Congregate Meals Title IIIC-1 06-07	93.045	61.72	18,955	4,627
Home Delivered Meals Title IIIC-2 05-06	93.045	61.72	64,045	45,895
Home Delivered Meals Title IIIC-2 06-07	93.045	61.72	64,045	16,738
Federal Respite IIIE 05-06	93.052	51.72	31,395	12,785
Federal Respite IIIE 06-07	93.052	51.72	31,395	922
NSIP 05-06	93.053	61.72	27,980	22,197
NSIP 06-07	93.053	61.72	27,980	6,771
Title IIID Health 05-06	93.043	51.72	2,800	1,774
Title IIID Health 06-07	93.043	51.72	2,800	<u>1,400</u>
				<u>173,391</u>
Total U.S. Department of Health and Human Services				<u>525,964</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 785,752</u></u>

# MECOSTA COUNTY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditor's report issued:

*Unqualified on basic  
financial statements*

Internal controls over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes        x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

  x   yes      \_\_\_\_\_ none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes        x   no

#### *Federal Awards*

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes        x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes        x   none reported

Type of auditor's report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section 510(a)

\_\_\_\_\_ yes        x   no

#### *Identification of Major Programs*

*CFDA Number*

*Name of Federal Program or Cluster*

93.563

Title IV-D Cooperative Reimbursement

Dollar threshold used to distinguish

between Type A and Type B programs:

  \$ 300,000  

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

# MECOSTA COUNTY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2006-1 – Accounting for EMS Receivables

Criteria:	When using a subsidiary ledger to account for a receivable, a government should reconcile the subsidiary ledger to the general ledger periodically and record an allowance for uncollectible accounts and deferred revenue for amounts not available at year-end (i.e., collected within 60 days of December 31).
Condition:	The subsidiary ledger for the emergency medical service accounts receivable had not been appropriately reconciled to the general ledger at year-end. Similarly, an estimate of the amount not expected to be collected within 60 days of year end had not been calculated and recorded as deferred revenue in the EMS fund financial statements.
Cause:	This condition was caused by an error made in reconciling the ledgers at year-end. The department was unaware of the requirement to defer the unavailable portion of accounts receivable at year-end.
Effect:	As a result of this condition, the government lacked appropriate internal controls over the timely reconciliation of its EMS accounts receivable balance and presentation in accordance with GAAP.
View of Responsible Officials:	The Mecosta County EMS has a procedure in place to reconcile the subsidiary ledger to the general ledger monthly, however, a clerical transposition error resulted in an incorrect final balance. Due to significant turnover in staff, the EMS Director was not aware that balances not collected within 60 days of year end were not recorded as deferred revenue. All accounts have been appropriately adjusted in the accompanying financial statements and the Finance Director is working closely with the EMS department to prevent future errors and omissions.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

### SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2005-01	The County did not properly segregate federal funding and related transactions in its accounting system. This has been corrected.
Finding 2005-02	The County did not have an appropriate system for tagging or somehow identifying capital assets purchased with federal funding. This has been corrected.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

June 12, 2007

Honorable Chairman and Members  
of the Board of Commissioners  
Mecosta County  
Big Rapids, Michigan

We have audited the financial statements of the **County of Mecosta, Michigan** for the year ended December 31, 2006, and have issued our report thereon dated June 12, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated January 18, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Mecosta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Mecosta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Mecosta, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Mecosta, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Mecosta, Michigan's compliance with those requirements.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Mecosta, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the County of Mecosta, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the County's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances. We evaluated the key factors and assumptions to develop the uncollectible receivable balances in determining that it is reasonable in relations to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Mecosta, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Mecosta, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Mecosta, Michigan's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Mecosta, Michigan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.